



Concession Management Rate Administration Guide

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INTRODUCTION

This Concession Management Rate Administration Guide (Rate Guide) provides policies and procedures for concession rate administration by the National Park Service (NPS). The procedures described in the Rate Guide address the NPS requirements under Sec. 406 of Title IV of the National Parks Omnibus Management Act of 1998 as relates to “reasonableness of rates” to the public. The Rate Guide covers authorized methods and procedures for concessioner rate requests and approval and actions that a concessioner may take in appealing an NPS rate decision.

This Rate Guide augments and updates the information contained in NPS-48, Chapter 18. It does not wholly supersede that policy reference. Concession specialists administering rates should refer to both these policy documents. Where procedures in this Rate Guide and NPS-48 conflict, the procedures in this Rate Guide take precedence.

The Rate Guide is periodically updated to reflect changes and clarifications in rate administration policies and procedures. This Rate Guide is effective as of July 7, 2010. The NPS is currently updating its policies through the NPS Directives Management System. This Rate Guide will be superseded by the rate administration policies and procedures in Directors Order (DO) 48A and Reference Manual 48A when they are issued.

AUTHORITIES

The following authorities define the requirements that must be met in conducting the NPS Concession Rate Administration Program.

Pubic Law

Title IV of the National Parks Omnibus Management Act of 1998 (98 Law) relates to Concession Management. Sec. 406 of Title IV establishes the legal basis and requirements for concessioner rate administration as follows:

Sec. (a). Each concession contract shall permit the concessioner to set reasonable and appropriate rates and charges for facilities, goods and services provided to the public, subject to approval under subsection (b).

Sec. (b). A concessioner’s rate and charges to the public shall be subject to approval by the Secretary. The approval process utilized by the Secretary shall be as prompt and as unburdensome to the concessioner as possible and shall rely on market forces to establish reasonableness of rates and charges to the maximum extent practicable. The Secretary shall approve rates and charges that the Secretary determines to be reasonable and appropriate. Unless otherwise provided in the contract, the reasonableness and appropriateness of rates and charges shall be determined primarily by comparison with those rates and charges for facilities, goods and services of comparable character under similar conditions, with due consideration to the following factors and other factors deemed relevant by the Secretary: length of season, peakloads, average percentage of occupancy, accessibility, availability and costs of labor and materials, and type of patronage. Such rates and charges may not exceed the market rates and charges for comparable facilities, goods and services, after taking into account the factors referred to in the preceding sentence.

NPS Policy

The 2006 *Management Policies*, Chapter 10 provides the following direction pertaining to concessioner rates charged the public:

10.2.4.7 Rates

The NPS must approve all rates charged to visitors by concessioners. The reasonableness of a concessioner's rates and charges to the public will, unless otherwise provided in the contract, be judged primarily on the basis of comparison with current rates and charges for facilities and services of comparable character under similar conditions. Due consideration will be given to length of season, provision of peak loads, average percentage of occupancy, accessibility, availability and costs of labor and materials, type of patronage and other factors deemed significant by the NPS Director.

NPS-48 Concessions Guideline

Chapter 18, Rate Administration Program, of NPS 48 defines specific procedures to be followed in conducting the Concession Rate Administration Program. Although this Rate Guide updates many of those procedures, NPS 48 defines the core components of the program.

RATE ADMINISTRATION PROGRAM GOALS AND OBJECTIVES

The goal of the NPS Concession Rate Administration Program is to ensure that rates charged to the public for concessioner-provided facilities and services are fair, reasonable, and in accordance with law and NPS policy. In order meet this goal, the Commercial Services Program has initiated the procedures outlined in NPS 48 and this Rate Guide. They provide an analytical process to review and approve concessioner rates in a manner that achieves the following specific objectives:

- Produce defensible results that are valid and reliable;
- Reflect the competitive marketplace;
- Address the unique factors, character and requirements of concessioner facilities and services in the National Park Service;
- Ensure a consistent Service-wide approach; and
- Provide a professional process for parks to implement the program.

RATE ADMINISTRATION RESPONSIBILITIES

An outline of the various responsibilities of all the offices and entities involved in the Rate Administration Program is presented below. The methods and procedures for accomplishing these responsibilities are identified and discussed in more detail in other sections of the Rate Guide.

NPS Commercial Services Program will:

Establish and update rate administration policies.

Provide guidance on rate administration policy implementation to regions and parks.

Provide technical program support to regions and parks.

Distribute national guidance and indices data such as annual markup percentages, categories for convenience items, and monthly consumer price indices.

Monitor Service-wide compliance with approved rate administration processes.

Coordinate Service-wide rate administration training.

Regional Office will:

Provide the final level of appeal, review, and decision for concessioner rates.

Provide technical program support to parks.

Monitor regional compliance with approved rate administration processes.

Review and act on park requests to use indexing or financial analysis to approve rates.

Park will:

Establish a time frame in which concessioners should request rate actions.

Determine the appropriate rate administration methods.

Perform rate studies.

Approve, disapprove or modify rate requests for all services provided by concessioners in a timely manner, with sufficient notice prior to the start of the operating season.

Maintain rate schedules.

If a qualified/trained employee is not available, obtain assistance from the region to properly administer the program using qualified personnel.

Obtain assistance from the region if they use the indexing or financial analysis method.

Monitor compliance with approved rates through the Concessioner Review Program.

Concessioners will:

Submit rate requests that are timely, accurate, and complete.

Comply with the established appeal process.

Adhere to approved rates.

RATE REQUEST AND APPROVAL PROCESS

The following outlines the general rate request and approval process. Additional details are provided in following sections that cover specific rate approval methods. It is to the benefit of the Park, concessioner, and visitor that the rate request process is conducted in a professional and efficient

manner. In order to ensure that this occurs, both the Park and the concessioner have responsibilities to ensure that they act in a timely manner and prepare complete and accurate documentation.

Rate Method Used

The rate method to be used to establish and approve concessioner rates for each service must be determined and communicated to the concessioner. These methods may be dictated by policy, defined in the concessioner's Operating Plan or otherwise established and documented by the Park. The Superintendent has the final decision on what rate methods are to be used.

Rate Request from Concessioner

Rate requests from a concessioner must be detailed and have adequate documentation to justify the rate requested. This may include, but is not limited to, information on comparables, financial analysis, and information on other factors that they believe should be considered as defined in the 98 Law.

Rate Request Response Time

A rate administration timetable should be established that provides a logical time frame for completing the necessary research, analysis, document preparation and reviews. Rate approval response time requirements included in your Operating Plan should be met. If response times are not indicated in your Operating Plan, Parks should strive to complete rate request reviews within 60 days, except in unusual circumstances. Smaller or less complex operations may have shorter response times.

Parks with multiple concession operations should stagger rate request due dates so that appropriate response times can be met. Rate request due dates and response times can be incorporated into the Operating Plans to ensure that they are met.

Rate Request Review and Recommendation to the Superintendent

The rate request by the concessioner must be reviewed to determine if it is justified. This review must be conducted by qualified NPS personnel. In the event that the documentation provided by the concessioner is inadequate to conduct the review, then the park should request additional information from the concessioner.

The specific procedures to be conducted vary depending upon the type of rate method that is being used. These procedures are outlined in following sections of this Rate Guide covering the individual rate methods.

The results of the rate request review is a written recommendation to the Superintendent on whether the rate should be approved, disapproved or modified. Recommendation documents must fully support the recommendation. They should be presented in a logical and analytical format that outlines the procedures and methods followed in reviewing the concessioner's rates and in analyzing the data and supporting documentation. An executive summary should be provided with the recommendation that summarizes the results for the Superintendent's decision.

An example of a recommended format for the analysis and accompanying recommendation of a Direct Comparability study, which is perhaps the most complex of the rate methods, would include:

- (1) Executive Summary
- (2) Determination of study level (full or limited)
- (3) List of potential comparables

- (4) Description of properties visited and associated data
- (5) Analysis of data collected
- (6) Selection of actual comparables (comparability matrix)
- (7) In-depth analysis of actual comparables (with narrative)
- (8) Rate request from concessioner
- (9) Concluding recommendations for approval, disapproval or modification

Rate Administration Cosigner

In order to ensure studies are consistent with established procedures, a qualified cosigner is required when a concession employees involved in rate studies (collateral duty and full time) has not yet completed Evaluation and Pricing training. Once employees have been certified in Evaluation and Pricing, a cosigner is no longer needed, but may still be requested. The regional office can assist the park in identifying a possible cosigner.

The role of the cosigner is to provide support and advice during the study and to ensure the analysis is valid and recommendations are supported. To qualify as a cosigner the employee must have at least three years experience in conducting rate administration studies following successful completion of Evaluation and Pricing. They must be full time concession management employees and be familiar with the park and concession operation in question. Cosigners can be staff members of other parks, regional offices, or the NPS Commercial Services Program. Studies conducted by those without proper training and experience will be considered invalid.

Rate Approval Decision to Concessioner

The superintendent should sign and date the approved rate schedule and provide the concessioner with a written copy. In the event that the concessioner's rate request is not approved, the Park should inform the concessioner, with appropriate justification, the rate increases (if any) that they would approve.

Implementation

After the Superintendent has approved the rates the following procedures should be implemented:

1. Rate Schedule. A written rate schedule should be developed and maintained by the Park. A copy should be provided to the concessioner and to others upon request. The schedule should be very specific and should show what is provided for the price charged. At the bottom of each page should be printed: *"These rates are to remain in effect until specific changes are approved by the Superintendent."*

The rate schedule may include, but is not limited to, elements such as menu items, room descriptions, seasonal rates, deposit and cancellation policies, group/package rates and reduced rates for federal employees.

2. Advertising Material. The Superintendent must approve all advertising, brochures, and other concessioner promotional materials to ensure that facilities and services are properly described and rates conform to those approved.

3. Compliance with Approved Rates. Compliance reviews or rate checks should be conducted in conjunction with the operational review program to ensure that concessioners are in compliance with rate administration requirements. These checks should include written and web-based advertising,

brochures, other concessioner promotional materials, menus, posted rate sheets and rack rates posted in rooms.

Rate Request Appeals

If a concessioner disagrees with the findings of a rate study, there is a right to appeal. An appeal should only be processed after reasonable efforts have been made to work out the concessioner's disagreement(s) with the Park Superintendent. Appeals should be made in the form of a letter to the Superintendent stating the concessioner's desire to appeal to the Regional Director. The letter should clearly state the concessioner's objection to the rate study determination(s) and should include a rationale and supply sufficient data and support information.

The Superintendent will immediately forward the letter of appeal to the Regional Director. The Park will provide comments relating to the concessioner's objections and sufficient support to justify the Park position relating to each issue of the appeal. The determination of the Regional Director will be final. Until the Regional Director has rendered a decision, the rates charged by the concessioner for the services in question will remain as currently approved.

The decision of the Regional Director is returned to the concessioner through the Superintendent. If the Regional Director has changed the Superintendent's action, the memorandum will become an amendment to the Superintendent's approved rates. The entire appeal review should be acted upon in a timely manner (30 days or less).

RATE METHOD SUMMARIES

The following information briefly describes the eight approved methods that the Superintendent may use when reviewing a concessioner's rate request. Each of the eight methods has specific applicability depending upon the combination of the different types of services, products, and operating situations with which a concessioner operates. Detailed information on each methods is provided in following sections of this Guide.

1. Direct Comparability

Comparability is the fundamental concept used by the NPS for rate administration. Direct comparability is the most basic means to accomplish this. It is primarily used for *overnight accommodations, campgrounds, marinas, tour operations, fuel service stations, and guides and outfitters*. However, the basic concept of comparability is used for all rate methods. The Direct Comparability Method consists of two processes, the Full Review and the Limited Review.

The Full Review requires that the NPS collect extensive information from businesses outside of the park that are identified as potential comparables and that are similar to the concession operation. This information is then analyzed and those properties determined to be most similar are then used as actual comparables in the assessment of the concessioner's rate request

The Limited Review process is similar to the Full Review process, except the data is collected remotely, via telephone, internet or correspondence. Because they are less complex than a Full Review, they can generally be accomplished with less cost involved. The Limited Review process has two applications:

- To update the information gathered by the Full Review process; or
- As a stand-alone rate administration process for smaller, less complex operations.

2. Core Menu

The Core Menu rate method is the preferred method for *food and beverage* pricing. This process has been developed to provide a more fluid, streamlined and professional procedure for this concession service type. The concept of the core menu is that prices are approved for a selected set of “core items” in various food categories that are representative of comparable food and beverage operations. Prices for non-core items are set by the concessioner based on what they believe the market will bear. The determination to use and/or continue using the core menu method is one that should be determined from consultation and between the park and concessioner.

3. Manufacturer’s Suggested Retail Price (MSRP)

Manufacturer’s Suggested Retail Price (MSRP) is the preferred method for merchandise and convenience items *that have pre-printed prices* on them. MSRP is the pre-printed price which the manufacturer recommends that the retailer sell the product for which are generally established by the manufacturer based on national market comparability. Products that have such an MSRP should be priced at that rate. All other items without an MSRP may be priced using Competitive Market Declaration or Markup, as appropriate.

4. Markup

The markup rate method is the preferred method for pricing *convenience items* that do not have an MSRP. Convenience items are products that are generally consumed regularly and viewed as *necessities*. Examples include ice, food, and personal care products. This rate method uses industry gross margins by product category obtained through data compiled by the National Association of Convenience Stores (NACS) and distributed by the NPS Commercial Services Program annually. Markup percent is the percent of total cost that is profit.

Markup permits the NPS and the concessioner to quickly arrive at approved rates for thousands of *convenience items*. The application of this method involves pricing items by using the concessioner’s documented product cost multiplied by the percentage determined.

5. Competitive Market Declaration (CMD)

CMD is the recommended rate method for *merchandise items* that do not have MSRPs. In this method, price is set based upon the prices of products of comparables as determined and documented by the concessioner. This method assumes that the pricing of a specific item or service is not related to or enhanced by a specific NPS area. In addition to merchandise items, CMD can be used for services in a highly competitive market, negotiated sales items, or unusual items (such as antiques) wherein value is unrelated to the place they are sold. This method works well in many urban areas where there is a significant level of external competition.

When CMD is used, 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 review process must be documented and reviewed annually.

6. Indexing

This method has *no specific service-type* for which it is most commonly used. In certain situations, rates may be approved by using the Consumer Price Index (CPI). Indexing may be used to update rates for up to two years in between full or limited reviews. Indexing may also be used when management

constraints exist, i.e. time or budget limitations. CPI is updated monthly and the data is posted on the NPS Commercial Services Program website.

7. Contract-Specified Rate

This method has *no specific service-type* for which it is most commonly used. This method is typically used when there are a limited number of items or services, no comparables are readily available or the method is determined to be advantageous to the government. This procedure establishes the approved rate(s) as part of the contracting process. Rates are actually incorporated into the wording of the contract and are initially determined by direct comparability, competition in response to a prospectus, or negotiation with a successful bidder. Price changes typically occur annually and are based upon a previously identified sub-index of the consumer price index (CPI), provided by the Department of Labor, Bureau of Labor Statistics.

8. Financial Analysis

This method has *no specific service-type* for which it is most commonly used. Most rates are established by using one of the other methods described above. However, there may be occasions when a service, product, or situation precludes successful use of these methods. This method relies on a financial review conducted by the NPS Commercial Services Program with approval granted from the regional office.

RATE ADMINISTRATION METHODS

DIRECT COMPARABILITY METHOD (for various services)

Direct comparability relies on an actual review, analysis, and recommendation at the local level. The direct comparability method is the most complex and widely used application and is primarily used for overnight accommodations, campgrounds, marinas, tour operations, fuel service stations, and guides and outfitters. However, the basic concept of comparability is used for all rate methods. There are two variations of the Direct Comparability Method: Full Review and Limited Review.

Method Description

The purpose of the direct comparability method is to correlate the concessioner's rates to those in the competitive marketplace. By establishing approved rates for the concessioner based on a review of similar services operating under similar conditions, it is possible to ensure that the concessioners' rates are locally comparable.

Establishment of the concessioners' approved rates under this method involves (1) identifying those businesses that will serve as actual comparables based on the degree to that they are similar to the concessioner's operation and (2) a review of the concessioners' rates compared to rates charged by the actual comparables, taking into consideration operating differences.

Identification of comparables need not be done each time the concessioner proposes new rates. Comparables, once selected, may be used for several years, and the rate administration process can proceed to a review of the proposed rates based on updated pricing information. It is important to verify that no significant changes have occurred in the operating conditions of either the comparables

or the concessioner. The NPS has two variations of the direct comparability method from which to select: **Full Review** or **Limited Review**.

The **Full Review** process actually requires an onsite visit to collect data. Typically the full review is used for more complex operations such as hotels, full-service restaurants, large marinas, and other operations where a thorough inspection of operating conditions and business impacts is only possible on location. Full Reviews are more time consuming than Limited Reviews, but the same information is gathered and evaluated using the same steps.

The **Limited Review** process, which permits the collection of the same data by telephone, internet, or other correspondence, is normally used for smaller, less complex operations such as snack bars, service stations, and small boat rentals. The Limited Review is also used to update information gathered by a Full Review.

A direct comparability review (full or limited) should be conducted every three years. At the end of the three year period and if no significant changes have occurred in either the operating condition of the comparables or the concessioner, then it may not be necessary for a full review to be conducted and a limited review would be adequate. Under certain circumstances, it may be necessary to conduct a Full Review prior to the third year. For example, a Full Review must be done upon the start of a new contract; when a Sale and Transfer occurs; when major renovations have been completed; upon a change in services levels or facility classification; or and upon any substantive changes to comparables properties.

During the interim years, **Indexing** using an appropriate index may be used to adjust the rate. Indexing may only be utilized for two years. When utilizing the indexing method, rates may rise or fall dependent on the index and should be explained carefully to the concessioner before indexing is utilized. After indexing for two years, the park will have to conduct another direct comparability study to establish a baseline. If there have been changes to the concession or comparables property, a Full Review should be done. If there have not been any significant changes, then a Limited Review is adequate.

Under the direct comparability method, a qualified evaluator is responsible for directly evaluating an array of generally similar business establishments, or **potential comparables**. From that group several are selected that are most similar to the concessioner and that will serve as the **actual comparables**. The selection of actual comparables is the cornerstone of the process. Potential comparables are business enterprises or establishments suggested by either the concessioner or the Superintendent that are similar enough to the concessioner's operation to be used in administering rates. Actual comparables are defined as those businesses selected from the potential comparables based on an analysis of all data collected to determine the degree of similarity to the concessioner's operation. Selection is the responsibility of the Superintendent and concession management personnel. The determination must be based on a thorough analysis and must include supporting justification. If the concessioner disagrees with the selections, the decision may be appealed to the Regional Director. Throughout this document whenever the term **comparables** is used, it refers to **actual comparables**. When referring to **potential comparables** the whole term is used.

Selection of comparables is followed by an NPS review and formulation of recommendations for the concessioner's approved rate. This involves the direct comparison of the proposed concessioner rates with the rates charged for similar services by the comparables.

The Superintendent should review the **Extra Quality Feature (EQFs)**. These are additional attributes that add value. The purpose of considering EQF information is to more accurately determine the value provided by the concessioner relative to the comparables. Development and application of additional

EQFs are left to the discretion of the Superintendent. This provides the latitude for consideration of individual or local operating circumstances and the identification of particular features that are considered important in a particular geographic area. This helps the Superintendent to determine where the concessioner's rates should fall within the range of rates charged by the comparables. Note that EQFs are not intended to be used in the process of selecting actual comparables but only to analyze the variables between the actual comparables (see Exhibit 4 for a list of applicable EQFs). Park areas can identify specific EQF information that has particular local applicability. EQFs should be documented and kept with the official park files.

Based on a review of the actual comparables rates and EQFs, a comparable rate can be developed for each of the concessioner's services. The comparable rate is defined as the rate that would be approved by the Superintendent based strictly on comparison to similar operations outside of the park.

Occasionally, other factors come into play, and concessioners incur specific operating costs not shared by the comparables. The Law allows for consideration of these "*other factors deemed relevant*" and for adjustment of rates based on those factors. Examples include added utility costs, additional transportation charges for food, gasoline, or other products due to distance from suppliers, or the cost of providing employee housing. The concessioner is responsible for providing the documentation to support requested adjustments. The Superintendent ensures that any such adjustments to the comparability rates are justified.

The following 12 steps must be documented by the park when conducting a **full review**. When conducting a **Limited Review** as a stand-alone process, you may eliminate steps 4 and 7.

1. Determine Study Level. Is it a full or a limited review?

2. Develop a List of Potential Comparables. This step may not be necessary if the study is intended to update a full review. If it is a new full or limited review then the Superintendent *and* the concessioner should develop a list of potential comparables. By involving the concessioner at this stage it can eliminate an unnecessary point of conflict later on. If a proposed property is a substantial distance (i.e., several hundred miles) from the park, and there are plenty of potential comparables nearer, the property should be rejected. Comparables should be in an area that is relatively free and unencumbered by permits and restrictions. Ownership of the comparable should be different from that of the concession operation. In some situations it is necessary to use comparables that are hundreds of miles away because they are so rare. The Superintendent must be very clear in explaining the difference between potential and actual comparables.

3. Contact Potential Comparables. This should be done as a courtesy to business people to be visited and can be done by telephone, email or written correspondence

(Full Review) Contact with a potential comparable in preparation for full review study should begin with a letter that identifies the NPS and the program used to review concessioner rate requests through comparability. This letter would state that a park representative would appreciate permission to visit the property in order to ask questions and collect basic information. A date and time for the visit could also be suggested. The letter could mention that a phone call would follow to discuss needs and set an appointment, which gives the potential comparable time to think about the proposal and decide whether or not to participate. The phone call should confirm a visit date and time. Very few operators decline to assist when approached in this manner.

(Limited Review) A letter may not be necessary in a limited review, but is still a good idea. The follow up phone call could include an interview with the manager to collect the necessary information.

A follow-up to an earlier full review can begin with an information collection call because the manager will already be familiar with NPS needs from past contacts.

4. Visit Potential Comparables. This step can be omitted for a limited review or for an update of a full review. Visits must be conducted in a professional manner with necessary aids to ensure accurate data collection. Concessioners may be invited to accompany NPS personnel on these visits.

If a letter was sent and follow-up call made, the actual visit should go smoothly. Information collection is easier if a form is prepared in advance. This sheet could include a space for information on each of the criteria and notes about EQF. Utility cost data should be collected. Thorough notes should be taken on each point. Photographs should be taken to record exterior and interior conditions, and measurements (especially for guest rooms) should be taken to compare with the concessioner facility.

5. Compile and Analyze Data Collected. All the information collected through visits, correspondence, internet and telephone must be compiled and analyzed. If done properly, this will result in the best possible selection of actual comparables. When conducting a full review the Superintendent is required to complete a comparability matrix as part of this analysis (the comparability matrix is described in detail in Exhibit 1). The comparability matrix provides a defensible method for analyzing the data collected and should always be done for lodging, food and beverage, marinas, tour operations, campgrounds, and gasoline service stations. This analysis is always required unless the number of comparable businesses is extremely limited. Even with very few comparable businesses, this process eliminates properties that are beyond a reasonable level of comparability. The concessioner does not participate in the matrix process.

6. Select Actual Comparables. Select actual comparables after the analysis. In general there should be at least three actual comparables.

7. Conduct an In-Depth Analysis of Actual Comparables. This step may be eliminated for limited review or an update of a full review. This step focuses entirely on the actual comparables selected. Information, including other factors deemed significant and EQFs, are thoroughly reviewed as part of determining where the concessioner falls among the range of the actual comparables.

After completion of this step it is possible to determine approximately where the concessioner's operations fit within the range of quality and type of services or facilities offered by the actual comparables. To make this determination the analysis must compare, measure, and appraise the level of EQF in both the concession and the actual comparable facilities. These features generally add operating costs and value and benefit to the customer. The review can be a simple comparison of the concessioner's EQF against the corresponding lists of the individual actual comparables.

Each actual comparable should be discussed in a well-written narrative that includes the EQF and other criteria for each specific type of facility or service. The narrative should demonstrate first-hand knowledge of the property and should add value to the matrix comparison. The narrative should discuss various aspects of the property or service and management attention to detail.

After point-by-point comparisons and development of property narratives, a logical determination of where the concessioner fits in among the actual comparables in respect to service, condition of facilities and attention to detail can be made. Rates have not yet been considered. Proceeding to review the rates of the actual comparables and positioning the concessioner among them will provide a good indication of the acceptable price range based on comparability. It is important to note that rates should not be averaged to find the approved rate. Rather, the approved rate will fall within the range of rates of the properties that the concessioner is most comparable to.

8. Obtain the Rate Request from Concessioner. Rate requests can come in almost any time agreeable to the Superintendent and the concessioner, but the actual rate request review is not addressed until in-depth analyses of actual comparables have been completed. Certain minimum standards for development of rate requests are to be expected and outlined to concessioners.

9. Provide the Rate Recommendation to Superintendent. The rate recommendation should be written and include an executive summary of the process and the information collected. Some recommendations are long and complex, such as those for large operations in a big park like Yellowstone while others may be fairly simple and short for small business in areas such as Great Basin.

10. Notify the Concessioner of the Approved Rates. This should include the rate schedule signed by the Superintendent, contain the same information as the rate recommendation, and include any change from the rates originally requested by the concessioner. All pertinent information should be shared with the concessioner.

11. Manage any Rate Request Appeals. Concessioners may appeal a Superintendent’s rate decision to the Regional Director. An appeal is an official part of the rate administration process and the procedures outlined on page 7 are to be followed.

12. Print Approved Rates. Approved rates are printed and copies are retained by the concessioner and the NPS.

Comparability Determination Criteria

Full Reviews:

The following criteria are used to determine comparability when using the Direct/Full Review comparability method of rate administration. All criteria should be weighted equally when completing the matrix. For example, Lodging has seven criteria, so each criterion should be worth 10 points, for a total of 70 points.

Concession Type	Criteria Number
Lodging	1-2-3-4-5-6-7
Food and beverage	1-2-3-4-6-8-9
Campgrounds	1-2-5-10-11
Marinas	1-2-3-4-12-13
Tours	1-14-15-16
Gasoline stations	1-3-17
Other Services	1-2-3-18

The specific criteria are:

1. **Competition.** Each comparable operation should have at least one competitor engaged in a similar operation (service, amenities) in the immediate area. More than two would be advantageous. More competition ensures greater accuracy and fairness in pricing administration.

2. **Seasonality.** The similarity of operating and visitation seasons in relation to the concessioner.

3. Similar Area (lodging, food and beverages, marinas, gasoline service stations, other services).

The degree to which a potential comparable's location is similar to the concessioner.

4. Similar Clientele (lodging, food and beverages, marinas). A potential comparable should serve a clientele similar to that of the concessioner. The concessioner serves the vacationing public almost exclusively. Properties that serve a significant percentage of commercial or convention business normally operate differently and have different costs and average revenues than those that are more tourist-orientated.

5. Occupancy Rate (lodging, campgrounds). Ideally, a comparable facility's occupancy rate would be similar to the in-season occupancy rate of the concessioner.

6. Facility Characteristics (lodging, food and beverage). A comparable facility should be examined for several characteristics, including age, building type, and construction type. Some of the features of the building could be new, renovated, or original. Building type includes high-rise (three stories or higher), low-rise (two story), single-story attached, detached rooms, cabins, and tents. The construction types include masonry, steel, lumber, logs, canvas, and others. All these factors are important when comparing facilities to measure similarities in construction and maintenance costs.

7. Similar Size (lodging). Lodging facilities of varying sizes (numbers of guestrooms) can be used as comparables even though they probably have different costs of construction and different costs of operation. Ideally the comparable would fall within a similar size range as the concessioner.

8. Similar Number of Restaurant Seats (food and beverage). Comparability improves if the concessioner and the comparables have about the same number of seats as the concessioner. This can ensure similar operational costs and reflects the impacts that total seat numbers have on rates.

9. Similar Menu and Number of Meals (food and beverage). It is important that the park have a documented definition of the desired level and type of service and menu style established. The menus of the comparables should be similar (i.e., fast food, family type / full service restaurant, cafeteria, gourmet). A potential comparable should serve the same meals (i.e., breakfast, lunch, and dinner) as the concessioner. Any exception should be documented and made part of the rate study.

10. Similar Size (campgrounds). Campgrounds of varying sizes (number of sites) can have different operating costs. Comparability improves if the concessioner and the comparable have about the same number of sites.

11. Site Type (campgrounds). Campgrounds may provide different areas to accommodate RV users and tent campers or a combination of the two. To achieve maximum comparability, it is appropriate to compare the concession operation with just the segment(s) of the potential comparable's operation that it most resembles. Site types can be classified and described as primarily RV (high density, small sites that are close together, tent space lacking or minimal, hook-ups provided); primarily tent (access roads narrow or steep or lacking, few level sites, no large vehicle parking, few or no hookups); and mixed use (more than half of the sites are useable by RVs or tent campers, average site separation 50 feet, hookups considered an EQF). Most NPS campgrounds are mixed use.

12. Similarity of Operations (marinas). Length of boats, number of slips, security and protection, type of boats, repair and launch facilities, utilities, dry storage, and transient use should be reviewed.

13. Construction Characteristics (marinas). The construction type of the dock (floating, pilings, metal, or wood), weather protection, and breakwater should be reviewed.

14. **Similarity of Operations (tour operations).** The concessioner and potential comparable should use the same type of equipment (car/van, bus, tram, boat) and preferably the same type of power and fuel. These affect the initial investment and ongoing operating costs for various kinds of equipment. Additionally, the concessioner and the potential comparable should provide the same type of guide service, whether live narrative or tape recording.

15. **Tour Length (tour operations).** Tour comparables should be based upon the length of the tours (for example, 2-hour, half day, or full day). Ideally, extended tours would not be used as comparables for tours of a short duration because fixed costs could vary. When evaluating 1-day tours, significant cost factors include the time and distance traveled to provide the tour. Ideally the concessioner and comparables would have similar factors.

16. **Locally Important Criteria (concession activities).** Because of the wide variety of services and activities unique to parks, it is appropriate for the local park to identify certain **local** criteria for comparability. The criteria should specifically identify the desired levels of service or equipment. Samples of local criteria may include the type of tour operation being provided, the level of narration provided, length of the tour, the type of equipment (i.e., size and type of windows), engine noise and amenities such as air conditioning, food or snacks provided, and restrooms on board.

17. **Type of Service (gasoline stations).** Service stations are available in several different configurations, such as self or full service or a combination. Some are associated with convenience stores, while others are more traditional but offer varying level of mechanical or repair services. The comparable should closely resemble the type of services that the concessioner provides.

18. **Similarity of Operations (other services).** The concessioner and potential comparable should have similar operations. This may include using similar types of equipment, offering similar services or having similar facilities.

Limited Review:

When conducting a Limited Review as a stand-alone method, the only mandatory criterion is “competition”. It is also recommended that other suitable criteria shown above be used or that it be developed locally. When using the **Limited Review** process to update the **Full Review** information for actual comparables, simply update the information previously collected during your visits by utilizing the phone or internet.

Unique Comparables Situations:

- **Use of Other Government Agency-Managed Properties:**

The use of other Government agency-managed commercial operations as comparables is not prohibited; however the use of such facilities is not preferred because of the potential for such facilities to be operating under conditions that prevent them from operating competitively, which is a required criterion for this method. Based on these policy considerations, other Government agency-managed properties should only be used when an adequate number of acceptable businesses that are not Government-managed cannot be found.

Key considerations in determining the specific Government-managed commercial operator’s suitability for use are whether the rates for the operator were established competitively (i.e., rates are not set or financially regulated by governing agency) and whether the contract or other operating requirements imposed by the other Federal agency prevent the business from acting like an unencumbered commercial operation. These items should be specifically

investigated by the NPS personnel conducting the direct comparability analysis. This may require that the NPS personnel interview the Government agency concession manager and review the commercial facility contract, operating and maintenance plans and/or other applicable documentation to clearly understand the potential comparables operational requirements and constraints. If the park can demonstrate that the comparability criteria are met, then the other Government agency-managed facility may be an accepted comparable.

- **Operations from Other Countries:**

The use of commercial operations from other countries as comparables is also allowable but is not preferred. This method should only be used when an adequate number of domestic comparables cannot be found. While non-domestic facilities may provide similar services in similar environments and therefore seem like reasonable comparables, they are subject to factors that could make them unsuitable. These factors may include different types of clientele, visitor service expectations, visitation and occupancy rates, operating and regulatory environments, financial exchange rates, local economies, and other factors. Non-domestic locations where these factors have not been significant and have provided reasonable comparables include U.S. Territories, Canada and the Bahamas. In all cases when using non-domestic comparables, the foreign exchange rate must be taken into account in the rate determination.

- **Operations Located on Park Inholdings:**

The use of commercial NPS inholdings as a comparable is acceptable. Such inholdings may be within the park for which the comparables are being sought, or located within another park. As with other Government agency-managed facilities and facilities located in other countries, the NPS personnel must ensure that the operation meets the Rate Guide comparability determination criteria. These include whether the property's rates were established competitively, and whether its presence within a park inholding imposes operating requirements that prevent the business from acting like an unencumbered commercial operation.

Parks that are unsure about the use of a particular property should consult their regional office for guidance. In the event that such comparables are used, the park must maintain documentation demonstrating the need for the use of such comparables and the results of their comparability research and analysis demonstrating that the Rate Guide criteria related to competition and similarity of services are adequately met.

CORE MENU METHOD (for food and beverage)

In recognition of the cumbersome approach required to properly address the establishment of appropriate menu rates, format and content using the direct comparability (full review) method, the concept of establishing a core menu has been developed as the preferred rate method for food and beverage services. The determination to use and/or continue using the core menu method is one that should be determined from consultation and agreement between the park and concessioner.

While Core Menu is the preferred rate method for food and beverage, parks may revert back to the Full Review process if the core menu process is not producing appropriate rates.

Establishing Comparables

The knowledge of the park staff and concessioner can be utilized to help locate appropriate businesses. It is preferred that the businesses be located in the same geographic area because they are more likely

to be experiencing similar economic conditions as the concessioner. Concessioners may recommend potential comparable facilities/services, however final selection of comparables rests with the Superintendent.

(a) Selection Factors

The type of food classification (full service, snack bar, etc) and competition are the only selection factors that **must** be considered when selecting comparables. Food establishments being considered as potential comparable must have at least one competitor. Special screening and consideration factors, such as similar services, facility and clientele, may also be established by the park to help evaluate the similarities of the establishments being considered.

Parks need to pay special attention to those food establishments that are clustered in an area or location, such as resorts, where demand exceeds availability and rates are higher than those found in more competitive areas.

(b) Collection of Data

Once the comparables are selected, the core menu process permits the development of the core menu. All that is required at this point is the acquisition of the comparable's menus.

Core Menu Development

The basic core menu should be developed before the rate review is conducted. The core menu is intended to identify those specific food categories and items that are standard on the comparable menus and that should be reflected on the concessioner's menu.

The core menu should reflect national trends and should be representative of the needs and expectations of park visitors. It should include a predetermined number of popular food and beverage selections. These selections cover food categories such as entrees, (beef, fish, chicken, vegetarian, etc.), beverages, desserts, appetizers, etc. and items that are regionally expected and offered in similar facilities. While the number of core menu items will vary for each establishment, as a rule of thumb, it should be approximately 1/3 of the menu. For example, a full service restaurant may have a full menu with 12 entrée items and a core menu consisting of four entrees, one appetizer, one beverage and one dessert. The core menu application may not be appropriate for activities that include food as part of a package deal such as river running, mountain climbing and backcountry operations since their menus are limited.

Non-Core Menu Items

After the core menu items have been established, the concessioner is permitted to add additional items to the non-core menu without the need for a detailed park analysis. Non-core menu items should include local and regional specialty food items. The concessioner should price these items based on what they believe the market will bear. As such, the rates for these additional items should still be established within the philosophy and concept of comparability and recognition of the market. The concessioner is charged with the responsibility for setting non-core rates consistent with the established comparables. If the park questions rates of non-core menu items, the concessioner should be prepared to justify the rates set and show how the rates were determined.

In situations where the concessioner does not demonstrate reasonable sensitivity to the comparable marketplace, the park has the option to return to the direct full review comparability method of rate administration.

The Law requires the NPS to approve all concessioner services, products and rates. The NPS will not normally take any action beyond review and acknowledgement of the non-core menu rates and portions if the concessioner uses a positive approach in establishing reasonable rates. This review should consist of periodic evaluations and occasional spot checking. The concessioner is not required to submit the non-core menu for review. With an appropriate core menu it should not be necessary for the park to be concerned with minor or subtle pricing variations in the remainder of the menu. The core menu meets the NPS's requirements by furnishing appropriate rates to the public while providing added flexibility and opportunity for creativity to park concessioners and ease of management to the NPS.

Rate Administration Process

The following outlines the details on how to structure and manage food and beverage rate administration through utilization of the Core Menu Rate process.

A. Type of Food Service

When the rate review is conducted, the type (i.e., classification) of food service will be identified. Some examples of service types usually found in parks are:

Full Service Restaurants – This category includes restaurants ranging from small casual facilities with limited menus and table service to large formal gourmet operations that offer extensive and elaborate services and menu selections. Often, food service facilities in parks fall between these two extremes and similar comparables should be used. While the comparable or the concessioner may provide singular service types or different food options, it is important that the primary service style and menu be similar. For example, either may offer occasional buffets, seasonal features, traditional selections of the immediate area or package plans in conjunction with lodging or other promotions, but the standard menu and service style should be similar.

Coffee Shops – Usually limited menus, sit down and take-out food service operations.

Cafeteria – This includes operations that permit the customer to view and select from individual a-la-carte items as they pass through a serving line. The items are usually individually priced. A cafeteria usually offers specials that may provide a lower overall price when a set number or selection of items is chosen.

Fast Food & Snack Bar – May be table or counter service/walk up or waited/limited menu/eat-in or take-out.

Gourmet Fine Dining/Specialty/Limited/Ethnic – Operations that have been established for catering to special food service needs (i.e. special selected and prepared items that may only meet the interests, needs and/or requirements of a small number of the general public). These operations are often located in parks which also offer standard food service; however, there may be a few situations where this may be the only service type offered by the park. A menu item from this type of facility may also be found on the other standard type of menus.

Other Facilities – These can be take out, limited seating and/or prepared food service operations in a setting such as a grocery store, service station, or other environment where prepared food is not the primary product offered.

B. Determine Food Categories, Types and Items

Review the menus of the selected comparables and identify those *food categories* that are generally found on each. Some specifics that may be included are:

<u>Menu Layout</u>	<u>Other</u>
Appetizers	Children's Menu
Entrees	
Desserts	
Beverages	

Where applicable, these categories will be included for each meal period being reviewed (breakfast, lunch, and dinner).

Next, review the menus of the established comparables and identify those *food types* that are made available by most of the comparables (fish, fowl, pork, beef, pastas, diet, etc). Confirm that similar food types are on the core menu.

After establishing the food types then you need to identify the actual *food items* in the core menus. These items are routinely found on the majority of the comparable menus. Some portion sizes and special feature information should be collected for general reference. Other than those items that are typically described at a certain portion size on the menu (meats and some beverages), the approval of core items do not have to be tied to specific portions or preparations styles. The concessioner should have some leeway, especially on side dishes, to be creative in presentations and combinations. Adequate portion sizes must be provided by the concessioner. Failure on the part of the concessioner to provide reasonable portioning will result in an "A" deficiency on the operational periodic review. As an example, smaller food portions than those portion sizes approved on the rate schedule will be regarded as an unauthorized rate. So if they are approved \$15.00 for a 12 oz steak serving, anything less than 12 oz is an "A" deficiency.

Attention should be given to selections of national interest or expectation and items necessary to satisfy normal health considerations. These should be included on the core menu even if not found on the comparable menus. The following listings reflect *examples* of food items that are found on many menus for each meal. These should not be construed as the definition of what should be on a core menu, but are presented merely as examples:

Breakfast:

Juice
Eggs
Pancakes
Bacon or Sausage
Grits or Potatoes
Toast or Biscuits
Coffee (Decaf or Regular)

Lunch:

Soup
Garden Salad
Vegetarian sandwich with fries
Hamburger with fries
Chicken sandwich with fries
Dessert
Soft Drink (12 oz refills)

Dinner:

Soup/Garden Salad
Vegetarian Pasta
Trout with rice and vegetable
Strip Steak (12 oz. USDA Choice), served with choice of potato and vegetable
Dessert
Soft Drinks (12 oz. free refills)

The last food item(s) to be added to the core menu are those items that are considered local or regional or those that meet the park's theme. There are usually only a few items of this type. While desirable, these items are not essential. They may be represented as a part of the non-core menu development by either the concessioner or the park.

If the procedures outlined above are followed, park visitors will be provided with a selection of food items at reasonable prices guided by both the comparability process and market place consistent with public law.

C. Determine the Core Menu Rates

After the core menu is established as outlined above, the administration of rates should be relatively simple using the originally selected comparables. You may simply average the core menu item rates on the comparable menus and use that average as the approved rate. However, it is also acceptable to price the concessioner's rate at the appropriate price point within the range of comparables' rates if averaging does not produce a rate suitable for the product. For instance, with all other quality measures being equal, if the concessioner offers a salad with all entrees while the comparables do not, it would be appropriate review the range of prices offered by the comparables and approve a rate at the higher end of the scale. It is unacceptable to establish a range of rates for core items and then approve only the high-end rates for menu items without any further justification.

Other items made available outside of the core menu do not usually require a significant level of review, but even with the core menu concept it is still necessary for the NPS to review non-core rates. This review does not denote anything other than the recognition of the type of items on the menu and should be done through periodic evaluations and occasional spot checking. This is important to ensure that the configuration of the total menu is acceptable and that the park knows and finds acceptable the basic rate structure of the menu. The additional menu offerings permit the concessioner the opportunity to be innovative. It also provides a reasonable means of merchandising without the need for item by item NPS comparability. It retains the visitor's ability to have a reasonable selection of items (core menu) at comparable rates.

MANUFACTURER'S SUGGESTED RETAIL PRICE (MSRP)

Manufacturer's Suggested Retail Price (MSRP) should be used as the preferred rate method for merchandise and convenience items if the MSRP is pre-printed and clearly indicated on the product and the use of such pricing is standard industry practice. Items that are universally sold at a factory printed price include items such as magazines, paperback books, newspapers, film, candy bars, and some snack foods. Additionally, merchandise items such as clothing that are procured by a supplier with a pre-printed tag may also be priced using the MSRP. If requested, the concessioner must be able to demonstrate that it is a nationally marketed price and items are commonly sold at MSRP.

As with the other rate methods, MSRP is the maximum rate approved, and concessioners may choose to charge a lower price. Mark-up and CMD should be used when MSRP is not provided on the product, is not commonly use for pricing in the industry, or is otherwise determined to be inappropriate. For example, for backcountry operations where there are significant transportation costs to provide bottled water to the backcountry operation, it may be inappropriate to use the MSRP. Instead it may be appropriate to use the mark-up method with the freight costs added.

MARKUP METHOD (for convenience items)

The markup rate method should be used for *convenience items* that do not have a MSRP. Convenience items are products that are generally consumed regularly and viewed as necessities such as ice, food, and personal care products. Approved prices for these specific types of retail merchandise are established by applying approved markup percentages to product cost. The use of this source ensures comparability with the private sector while providing a less rigorous process for both the concessioner and the park.

Determining Price

Markup percentages are broken down into merchandising categories. The markup percentage list is distributed annually by the NPS Commercial Services Program, normally by the end of the calendar year. Only the most current markup percentages should be used for rate reviews. Concessioners should be given copies of the updated percentages quickly so those new rates can be implemented. Concessioners and NPS staff should agree on a reasonable implementation period and the agreement should be documented in the rate files (the concessioner should be given a copy of the documentation). Some merchandise sold by concessioners may not be listed or might fit into more than one category. Concessioners who operate in more than one park sometimes use different categories for the same merchandise to determine rates. It is important to identify those discrepancies so that the percentages can be applied consistently. The NPS Commercial Services Program should be contacted with these discrepancies so that a final determination can be made and information can be provided to all affected parks.

When using the markup method to determine the maximum selling price, the following formula should be used:

$$\text{Total Cost} \times (1 + \text{markup percentage}) = \text{selling price}$$

For example, if the concessioners' cost for cough medicine is \$4.50, you would refer to the Markup table, identify that the markup percentage for health and beauty care is 71.0 percent, and use these numbers to identify the selling price:

$$\$4.50 \times (1 + 0.71) = \$7.70$$

Rounding is acceptable and common. The concessioner may propose to sell the cough medicine for \$7.75.

<u>Retail Price</u>	<u>Round to Nearest</u>
Below \$10.00	\$0.25
\$10 to \$49.99	\$0.50
\$50 and Over	\$1.00

Also permitted will be traditional consumer retail pricing techniques which creates prices ending in forty nine cent (\$0.49) and ninety-nine cents (\$0.99), whichever is closest and most appropriate using the above standards.

Product Costs

Merchandise on hand at the time the wholesaler announces a price change may be revalued to reflect new wholesale costs, and retail prices can be adjusted accordingly. Invoices showing price increases on these items can be used for documentation.

Cash discounts of 5% or less do not have to be deducted from normal product costs. The normal product cost must be reflected on the invoice, and the discount amount must be clearly indicated. Even if a discount of more than 5% is offered, only 5% may be used in calculating the retail price. Discounts above 5% are regarded as a reduction in the wholesale price on which the markup is based.

For example, if the concessioner in the previous example received a 3% discount on the cough syrup and their cost was \$4.37, you would still use the normal product cost of \$4.50 to calculate the selling price.

$$\$4.50 \times (1+.71) = \$7.70$$

However, if the concessioner received a 7% discount and paid only \$4.19 per bottle, you would calculate the selling price using the maximum 5% off the product cost, or \$4.28.

$$\$4.28 \times (1+.71) = \$7.32$$

Documented freight costs may be added to the product cost prior to applying the markup percentages. The concessioner must produce explicit documentation for these expenses. An option for the concessioner is to accurately identify average annual freight costs. With NPS approval, the concessioner may propose a fixed freight cost to be added as a percentage of the wholesale cost. This method allows a concessioner to keep the same prices on hundreds of items throughout the year as restocking shipments come in with slightly different freight costs. Adjustments are necessary each year (see Exhibit 3 for details).

Warehouse charges may **not** be added to the product cost. These charges are the normal labor and other expenses incurred by the concessioner in handling merchandise in storage and in sales outlets. Freight charges may not be added to product costs for delivering merchandise from the concessioner's warehouse to the point of sale (gift shop). Warehousing expenses can be recouped through increased sales volume due to lower retail prices, revalued merchandise due to documented wholesale price increases, and convenience and availability of products.

Concessioners may take advantages of volume discounts offered by suppliers. When requested by the NPS, the concessioner must provide documentation of volume discounts (the invoice and the corresponding check). This discount should be clearly documented on the invoice along with the normal wholesale cost. Markups should be based on purchase prices for the quantity that the business would normally purchase in order to keep the product in stock.

Variations from Listed Percentages

The percentages provided on the approved markup percentage list are the upper range of profitability and should be used as a maximum allowable percentage. However, if a local market price for a convenience item appears out of sync with the markup percentage the concessioner may request a markup waiver for a particular item and that comparability or CMD be used to set the item price. The decision to use the alternative method must be justified by the concessioner with an appropriate level of research and documentation. Retail outlets have too many different types of merchandise that would have to be reviewed continually to allow this method as a routine way of approving rates. If CMD is the requested method, the associated CMD criteria described in the Rate Guide must be met (i.e., the concessioner operates in a competitive market, the concessioner derives no competitive advantage from its location on park land, or prices are routinely negotiated between the buyer and seller). The use of these two alternative rate methods must be approved in advance, by the Park superintendent.

Grocery Items

Grocery items are considered convenience items and therefore the markup method should be used for establishing rates for this product category. Most grocery item categories sold in concessioner grocery stores are covered in the NACS guidance and park staff should review the categories with the concessioner to determine which categories will be used. Categories used should be documented in the Administrative Record to aid future rate requests and approvals.

Rate Methods for the Sale of Mixed Product Categories

Markup is the current preferred rate method for convenience items and CMD is the preferred rate method for merchandise. In situations where there are mixed product sales including items in each of these retail categories, the preferred rate method should be used for each product category. The use of the appropriate rate method outweighs any interest in having a consistent rate method storewide.

COMPETITIVE MARKET DECLARATION (for merchandise)

The Competitive Market Declaration (CMD) rate method should be used for all *merchandise items* without MSRPs and for other services if one of the following three situations occurs:

Competitive Market

A competitive market could require that the concessioner compete with other businesses, which would ensure market pricing. For example, a concession restaurant in a park may compete directly with other nearby restaurants and have little or no competitive advantage due to location. Similarly, a retail store may find that it competes with other shops locally, regionally or even nationally (i.e. internet) for similar goods and services and must set prices consistent with these; or

No Competitive Advantage

The sale of art or antiques may derive little or no competitive advantage from being in a park, since individuals often travel substantial distances to obtain these items, and the place of purchase is of less importance than the character of the item. On the other hand, a marina that provides the only access to a body of water enjoys a substantial competitive advantage and therefore should not use CMD; or

Prices Routinely Negotiated

The price of consignment items, antiques, boats, and many other products is often negotiated between the buyer and seller.

Initiating a Competitive Market Declaration

The decision-making process must be well documented and should provide a thorough justification for this method of rate administration. The declaration should be included as part of the approved rate schedule. The format of the declaration may be adjusted to meet individual needs and circumstances; however, it should include as a minimum a statement to the effect that:

- (1) The concessioner operates in a competitive market and derives no advantage from being in the park, and competitive market forces are the determining factor of the concessioner's rates.

- (2) The concessioner's rates may be adjusted without the specific approval of the Superintendent but are subject to review to ensure that they remain reasonable in comparison to similar services offered outside the park.
- (3) The declaration must be reviewed annually and the use of this method may be rescinded if the situation changes.

Competitive Market Declaration Examples

Example One: Merchandise Items. Zion Gifts is a retail store located in Zion National Park that sells a variety of merchandise, including t-shirts, coffee mugs, key chains and a variety of other souvenirs and gifts. The town of Springdale, Utah is approximately 3 miles from Zion Gifts and has a variety of gift and retail shops selling similar products.

The use of a Competitive Market Declaration for approving rates for merchandise items in Zion Gifts would be appropriate. Rates can be adjusted without the specific administration of the superintendent, but they are subject to review to ensure that they remain comparable to similar items offered outside Zion National Park. This declaration must be reviewed annually and the use of this method could be rescinded if the superintendent determines that the situation has changed. The decision to change rate administration methods is at the discretion of the superintendent.

Example CMD:

Merchandise Items - Competitive Market Declaration. Merchandise items sold at Zion Gifts in Zion National Park are vended in a competitive market. Zion Gifts must compete with other businesses which ensures market pricing. In consideration of these factors, it is declared that rates charged by the concessioner for merchandise are comparable and approved. Zion Gifts may price merchandise competitively without further approval from the NPS.

This declaration is for (insert inclusive dates)

Superintendent

Date

Example Two : Specific Convenience Item. Zion Gifts also sells a number of convenience items, which are priced according to the Markup rate method. However, the price of batteries set using the Markup method is much lower than the prices at the competitors' shops. Since this price is out of sync with the local market, the Concessioner has requested a markup waiver for this item and the Superintendent has approved the use of CMD for batteries.

Example CMD:

Batteries - Competitive Market Declaration. The price batteries sold at Zion Gifts in Zion National Park are out of sync with the local market when priced using the Markup method. Zion Gifts must compete with other businesses which ensures market pricing. In consideration of these factors, it is declared that rates charged by the concessioner for batteries are comparable and approved. Zion Gifts may price batteries competitively without further approval from the NPS.

This declaration is for (insert inclusive dates)

Superintendent

Date

Pricing Merchandise without a MSRP or CMD

Occasionally, a concessioner will not fit any of the three criteria listed above and merchandise prices may not be set using MSRP or CMD. In this case, parks may use the markup method using the “general merchandise” category.

INDEXING METHOD

Index pricing is an easily implemented procedure for approving or adjusting concessioner prices on an interim basis. It does not eliminate the need for periodic rate review and checks. Index pricing can reduce the administrative burden on both concessioners and NPS personnel by eliminating the need for an elaborate study to permit an adjustment. Prior to use, approval must be granted by the regional office and assistance must be provided by either the regional office or the NPS Commercial Services Program.

Price Indexes

A price index is a ratio of related prices for commodities or groups of commodities to prices in a base year. For instance, the consumer price index for all items for urban consumers from 1993 to 2008 was:

YEAR	CPI	YEAR	CPI	YEAR	CPI	YEAR	CPI
1995	144.5	1999	160.5	2003	177.1	2007	195.3
1996	148.2	2000	163.0	2004	179.9	2008	201.6
1997	152.4	2001	166.6	2005	184.0	2009	207.3
1998	156.9	2002	172.2	2006	188.9	2010	215.3

The percentage change in prices (inflation rates) can be calculated by dividing the change in the index over a period of time by the index at the beginning of the same period. The change from 1995 to 2010 was:

$$\frac{215.3 - 144.5}{144.5} = .48997 \text{ or } 49.0\%$$

Application of Price Indexes

The Consumer Price Index (CPI) is compiled by the Bureau of Labor Statistics of the Department of Labor. Cities and regions are broken down into certain specific data bases and categories for specific products and services are established. The CPI detail indexes for specific products and services offered by NPS concessioners are identified in the chart on the next page.

NPS Concessioner	Corresponding CPI Index
Restaurants (food service)	Food away from home
Restaurants (alcoholic beverages)	Alcoholic beverages away from home
Lodging	Lodging while out of town
Retail sales	Retail sales
Grocery items	Food at home
Clothing	Apparel commodities
Souvenirs	Toys, hobbies
Tobacco products	Tobacco products
Personal care products	Toilet goods and personal care appliances
Photographic sales	Photographic supplies and equipment
Nonprescription drugs and medical supplies	Nonprescription drugs and medical supplies
Bus transportation	Intercity bus fare

The Consumer Price Index and associated indexes are computed and available monthly. The NPS Commercial Services Program will provide the regional offices, support offices, and park with a copy of the statistics on request and they are posted to the NPS Commercial Service Program Rate Administration website at:

<http://inside.nps.gov/waso/custompages.cfm?prg=1183&id=8176&lv=4&pgid=3303>

Concessioner rates approved using the indexing method are good for two years. They may not be indexed for a third consecutive year; another method must be used. Indexing may only be used repetitively when the original method used was the contractual specified method of rate administration. This requirement is necessary in order to (1) ensure that concessioner prices remain comparable to prices in the competitive local economy and (2) to limit the continued use of indexing method. It is not a universal solution and cannot be used in every instance. It allows concessioner prices to be adjusted more frequently in special circumstances with minimal administrative burden.

Example of Indexing

The following page shows a sample of the CPI data available and the Index Pricing Worksheet (available in Exhibit 2) which we will use for this exercise.

In October 2009, the concessioner at Mammoth Cave National Park requests a price increase for hamburgers in his restaurant. The most recent approved price for a hamburger is \$6.00, which was approved in October 2008 through a direct comparability study and he would like to raise the price to \$7.00, which would be a 16.67% increase.

The superintendent could refer to a CPI price index for South Size D (non-metropolitan, under 50,000) Food Away From Home (see example on the following page). The CPI table indicates that that from October 2008 to October 2009 those food prices have increased by 5.9%. On this basis, the concessioner would be limited to a 5.9% increase, for a total price increase to \$6.35.

Sample CPI Index

Area	Food away from home						
	Oct. 2008	May 2009	June2009	July 2009	Aug. 2009	Sep. 2009	Oct. 2009
U.S city average.....	209.275	213.967	215.015	216.376	217.063	218.225	219.290
Region and area size							
Northeast urban.....	214.073	219.112	219.696	221.073	221.490	223.347	224.644
Size A - More than 1,500,000	212.461	217.312	217.874	219.238	219.396	221.085	222.613
Size B/C - 50,000 to 1,500,00.....	133.896	137.294	137.690	138.554	139.227	140.634	141.060
Midwest urban	205.200	210.466	211.450	213.251	214.363	215.188	216.206
Size A - More than 1,500,000	203.525	208.299	209.342	211.456	212.505	213.218	214.264
Size B/C - 50,000 to 1,500,000	131.441	134.875	135.528	136.277	137.182	137.758	138.303
Size D -Nonmetropolitan (less than 50,000)	214.648	222.756	223.262	225.417	225.848	227.079	228.515
South urban	211.401	215.873	217.307	218.512	219.336	220.484	221.695
Size A - More than 1,500,000	214.800	219.778	220.616	222.230	223.118	224.512	225.576
Size B/C - 50,000 to 1,500,000 ..	130.429	133.040	133.662	134.440	135.030	135.572	136.385
Size D -Nonmetropolitan (less than 50,000)	203.307	206.861	213.161	212.497	212.296	214.181	215.316
West urban	205.634	209.813	210.792	211.971	212.342	213.231	213.949
Size A - More than 1,500,000	205.232	209.116	210.126	211.245	211.398	212.584	213.267
Size B/C - 50,000 to 1,500,000	131.855	134.958	135.571	136.623	136.831	136.886	137.355
Size classes A	180.861	184.803	185.548	186.850	187.284	188.377	189.304
B/C	131.479	134.459	135.051	135.884	136.481	137.083	137.730
D	212.674	218.086	221.302	221.671	222.407	223.892	225.105

(A blank copy of this worksheet is available in Exhibit 2 of this guide.)

	Item Price (A)	Date of Column A (B)	CPI (C)	Date of Column C (D)
(1) Proposed	\$7.00	10/2008	215.316	10/2008
(2) Previous	\$6.00	10/2007	203.307	10/2007
(3) Line (1) minus line (2)	\$1.00		12.009	
(4) Line (3) divided by line (2)	16.67%		5.9%	

If line (4) column (A) is greater than line (4) column (C), see below. Otherwise enter the requested price on line (9) below.

(5) Enter amount on line (2) column (A)

\$6.00

(6) Enter amount on line (4) column (C)

5.9%

(7) Multiply line (5) by line (6)

0.35

(8) Add line (5) and line (7)

\$6.35

(9) Approved Indexed Price

\$6.35

CONTRACT SPECIFIED RATE METHOD (for services as specified in the contract)

This method provides a process for approving and annually adjusting rates in many situations. Once the contract has been written or amended as described, the procedure for annual rate changes is the same as the indexing method, which follows.

The three steps involved with this method are (1) establishing the initial base rate, (2) writing or amending the contract to accommodate the method while very specifically spelling out the exact index to be used (see Indexing as described in Other Methods), and (3) following up each year, adjusting the rate for indexing as spelled out in the authorization.

Indexing is not to exceed five years before reestablishment of the base rate.

The specified rate method is intended to be used when comparables are not readily available, when there are a limited number of services, or when it is determined that there is a need to control fares charged to visitors. The method should have practical application for unusual services such as seaplane rides, mountaineering services, river running operations, swimming pools, golf courses, bathhouses, interpretive services, and others.

This process should be determined to be administratively advantageous to the NPS because it eliminates the annual need to conduct comprehensive rate administration reviews on activities and services that do not have adequate representative comparables. In many cases concessioners favor this method because it provides a definitive process that they can use when determining annual and projecting future rates. It also requires minimal preparation prior to establishing new rates. Once the appropriate Consumer Price Index is known, the concessioner will be able to immediately determine the new rates (see Indexing Method on page 25).

Establishing the Initial Specified Rate

The NPS representative making this determination should use any reasonable means to establish a rate that will be fair to visitors and provide a reasonable opportunity for a profit to the concessioner. A current rate that is considered reasonable can be used as a base rate. An economic feasibility study or financial analysis may be necessary in determining a base rate. The Superintendent could request assistance from the Regional Office or the NPS Commercial Services Program.

New Authorization.

Once the NPS-proposed rate has been established, it can be published in the prospectus as the base rate. The prospectus could allow applicants to propose a rate different from the amount issued in the prospectus. If a new rate is proposed, the submittal must justify any increase over the proposed base. This justification should never modify the scope of the services identified in the prospectus. In such situations, the prospectus must indicate that lower rates are considered a better offer.

The NPS can either pre-establish the base rate or permit Offerors (within certain limitations) to identify and suggest, in competition with other Offerors, the base rate as part of an offer to a prospectus.

Existing Operation

When it has been determined that this method will be used and a prospectus is issued, the same procedures and prospectus language can be used, but the preferential right for renewal may figure into the final selection of a successful Offeror (assuming that the concessioner has submitted a responsive

bid). If there is a satisfactory concessioner who has been approved for preferential right status and has submitted a responsive bid, that concessioner shall be given the right to meet the proposal of the better offer (36CFR Part 51.32).

FINANCIAL ANALYSIS METHOD (for unique situations)

As a last resort, the financial analysis method could be used to approve rates. This method relies on a financial review conducted by the NPS Commercial Services Program when requested by the regional office. Prior to use, approval must be granted by the regional office and assistance must be provided by either the regional office or the NPS Commercial Services Program.

UTILITY COSTS

When the NPS provides a concessioner with utilities (electricity, water, sewer, and solid waste removal) at a rate higher than comparable utility charges in the private sector, those costs are to be considered when conducting rate review.

Utility Charges to Concessioners

Costs associated with the provision of utility services to concessioners are to be recovered in conjunction with the instructions in NPS-48 Chapter 18, paragraph F. The costs of utilities are to be considered as an element of comparability and in calculating the financial feasibility of a concession operation. Adjustments to visitor service rates do not apply when the concessioner purchases the utility from non-park sources or when the NPS charges a comparable utility rate.

Procedures. The following steps are to be taken to establish comparable rates, adjusting approved concessioner rates, and monitoring the additional revenue resulting from the add-on.

Calculating Utility Charges - Calculating actual and comparable utility charges is done in accordance with NPS-48 Chapter 18, paragraph F. Comparable utility charges should be obtained from the area where the concessioner's comparable rates are determined.

The concessioner must be notified of increased utility charges 60 days before the charges become effective. The concessioner must notify the superintendent within 15 days if an adjustment to the approved rate(s) charged to visitors is desired or if an exception is requested. The request must be acted upon within 15 days. The concessioner must be notified of all utility charge increases higher than comparability at the same time, which should be enough in advance of the main visitor season that only one yearly adjustment to approved charges to visitors will be required.

Establish Base Price - Approved rates may be expressed in terms of unit price, markup, or other appropriate measure, and the utility add-on would be expressed in compatible units.

Documenting Additional Utility Charge Impact - The concessioner multiplies the difference between operating costs and comparability by anticipated use.

Requesting Rate Adjustments - If the concessioner decides to adjust visitor rates the superintendent must be provided with a proposed adjusted rate increase schedule. The schedule must clearly show:

- (1) past unit sales or sales volume for goods and services to be adjusted
- (2) current approved rate or markup percent

- (3) estimated units to be sold or dollar volume
- (4) amount of add-on shown as a dollar amount or as a percentage
- (5) adjusted rate shown as a dollar amount or as a percentage
- (6) estimated additional revenue
- (7) an explanation if a decrease in units or volume sold is expected

The following table is an example of a concessioner’s visitor rate adjustment request. The format is recommended but not required. It provides all of the necessary information needed for NPS review and documents the justification for the final decision. It is the responsibility of the local NPS official to outline to the concessioners exactly how to request a rate adjustment.

**PROPOSED CONCESSIONER RATE ADJUSTMENT
TO RECOUP \$10,000 ADDITIONAL UTILITY CHARGES**

Product / Services Adjustment	Units or Dollar Volume Sold Last Year	Comparable Approved Rate Dollar Amount or Markup	Estimated Units or Dollar Volume to be Sold	Amount of Add-on Dollar Amount or Markup	Adjusted Rate Dollar Amount or Markup	Estimated Additional Revenue
Rooms (units)	8,000	50.00	8,000	.75	50.75	\$6,000
Breakfast buffet (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 products	\$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. (Perhaps the rate change should be further reconsidered).

** Boat dock will open one week later next season

Reviewing Adjusted Rate Increase Schedule

The schedule is to be reviewed by the superintendent to ensure the accuracy of calculations and the reasonableness of projections. If the visitor rate adjustment exceeds 15% of the base price the concessioner should be asked to spread the adjustment over more items or classes of merchandise. Only if this is not practical should an exception for utility charges be considered.

Distribution of Adjustment

Goods and services adjusted should affect a wide range of visitors. If the Superintendent does not agree with the proposed adjusted rates, concerns should be discussed with the concessioner. Differences that cannot be resolved are treated as an appeal and referred to the Regional Director. After an agreement has been reached as to the goods and services to be adjusted and the amount of the increase, the Superintendent approves the new rates. The concessioner is provided with a copy.

Utility Charge Exception

A utility charge exception may be applied when the visitor service rate adjustment is so high that consumer resistance begins. At this point, higher prices are offset by reduction in the number of items sold, and the concessioner suffers lost sales and lost repeat business. There is no set point when resistance begins; differences are attributed to the types of goods and services involved, the clientele, and the part of the country. The sales mix greatly affects price flexibility.

The utility charge exception procedure may be used when charging actual costs for utility services would create an unacceptable financial situation and would frustrate the ability of the NPS to carry out its statutory responsibilities to preserve and protect areas of the NPS and to provide for their use and enjoyment by the public. Such a situation could also be a justification for eliminating or not granting a concession authorization due to a lack of a reasonable opportunity for a profit without government subsidy.

Authority to approve reduction of utility charges is reserved by the regional director, and the procedure parallels that for appeals. The superintendent's forwarding recommendation should include a discussion of the relevant guidelines. The Regional Director's approval for a utility exception is valid for one year, and requests for exceptions must be made annually.

The following guidelines apply:

- (1) Price increases of 15% or less should not create an undue competitive situation.
- (2) Utility costs must be spread over as wide a range of goods or services as possible, thus reducing the per-item increase. Concentrating price increases in a narrow range of items to produce an artificial need for the utility charge exception is not acceptable.
- (3) Low profit, high dollar volume merchandise (such as gasoline or groceries) is not amenable to large increases.
- (4) Merchandise prices approved under a competitive market declaration should not be subject to the utility charges.
- (5) Price increases based on utility charges that occur about the same time as increases based on normal market comparability may combine to create consumer resistance. The combined increase should be limited to 20% at one time and the remaining portion of the utility charge increase should be phased in.

Monitoring Procedures

The following procedures are to be used by the superintendent and concessioner to ensure that the increases in rates for goods and services approximate the additional utility charges.

The concessioner, using sales records, invoices, inventory records, and other reports, provides the superintendent with documentation showing the rate adjustments and the added cost based on the

Products/Services Adjustment	Projected	Actual
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	<u>300</u>	<u>310.00</u>
Added revenue	\$10,090	\$11,498.00
Added utility costs	10,000	10,300.00
Actual additional revenue generated		\$11,498.00
Actual additional utility charges		<u>10,300.00</u>
Amount to be recouped or (deducted)		\$(1,198.00)

actual amount of utility consumed. The following table illustrates the necessary documentation:

Minor Differences

After utility costs and rate adjustments are reconciled, any difference of less than 5% of the actual additional utility costs may be ignored.

Subsequent Adjustments

The above documentation shows that the concessioner adjusted rates generated \$1,198 more than actual utility charges. Since the difference is greater than 5% of additional utility costs, the adjustment 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 is less than 5%, the difference is ignored.

Reconciliation should be done at the end of the prime operating season or at a time agreeable to both parties prior to the next rate increase based on comparability. This should be done well in advance for seasonal operations so that adjustments can be noted in the rate schedules provided to the public.

If during the year the concessioner believes, based on past and current records, that the adjusted rates could result in a substantial shortage or excess of revenue, changes should be recommended to the superintendent that would bring the revenue into the correct range.

Utility Charges for Capitalization and Recapitalization of NPS Utilities

The NPS is currently considering a process for the allocation of utility charges incurred by the NPS for capitalization and recapitalization of utility systems to utility users, including concessioners. These policies and procedures were not promulgated at the time this Rate Guide was released. Policy and guidance will be provided under separate cover and will be incorporated into future versions of this Rate Guide or DO 48A and RM 48A.

MISCELLANEOUS

Reduced Rates to Government Employees

Reduced rates can be provided by the concessioner only while the government employees are conducting official business and in order to benefit the government by lowering travel expenses, permitting more effective program control, and maximizing use of federal funds. The amount of discount is usually based on the federal government published per diem rate or a percentage discount. Reduced rates must be made part of the concessioner's approved rate schedule.

Reservations

Concessioners should develop reservation procedures, including standards for deposits and cancellations that are patterned after industry standards or those businesses that are used as comparables. Conditions under which deposits will be refunded or cancellation fees charged must be stated in detail in the concessioner's approved rate schedule and advertising material. Reservations may not be accepted more than two years in advance for accommodation facilities or services such as trail rides, river runners, or houseboats.

EXHIBIT 1 Detailed Matrix Discussion

The matrix provides a less subjective approach for determining the properties that are selected as actual comparables. The matrix does not eliminate the need for good judgment and a thorough knowledge of the comparability process. The matrix is based on values of similarity that express differences between a particular potential comparable and the concessioner. The values are determined using the concessioner's criterion as the base against which all others are compared. These values are assigned to each of the identified criteria for lodging, food and beverage, marinas, campgrounds, transportation, and gasoline service stations.

Numeric values can be assigned to the criteria, such as number of rooms, percentage of occupancy, number of restaurant seats, and number of boat slips. It is more problematic and requires judgment and knowledge to assign values to nominal criteria such as type of area, clientele, facility characteristics, and similar menu. Determining an approved rate is not an exact science; the concessioners' rates are appropriate if most customers would expect to pay similar prices for similar services under similar conditions outside the Park.

The comparability matrix has a dual axis. The business properties measured are on one axis and the criteria measured are on the other. When completed, this matrix will note the degree of similarity between the concessioner and the potential comparables. It does not designate the properties as better or worse, but only shows the degree of similarity. Quality and value are not analyzed thoroughly until after the selection of actual comparables.

Information on the criteria (food and beverage [7], lodging [7], marinas [6], tour operations [4], campgrounds [5], and gasoline service stations [3]) must be collected during visits to all potential comparables. These criteria are the only items measured to determine comparability. After the comparables are identified, then EQF may be used to determine final approved rates.

When completing the comparability matrix, it is critical that the same person(s) evaluate all the properties in the matrix to ensure consistency (concessioners do not participate in the matrix process). The concessioner is listed first on the matrix and is assigned a value of 10 points for each criterion. This format would result in a total of 70 points for the concessioner in a lodging matrix because there are seven criteria ($10 \times 7 = 70$). The concessioner always has the most points because they provide the base on which all the potential comparables are compared. The NPS employee completing the matrix will then devise point spreads for each of the criteria analyzed that reflect the differences between potential comparables. For example, if a concessioner has 100 guest rooms a potential comparable should have 95-105 guest rooms to receive 10 points.

Some criteria may not be as varied and could result in either 10 (the same), five (partially the same), or zero (completely different). The NPS employee should strive for consistency supported by knowledge and thoroughness, not perfection.

This technique is valuable and easy to use because the final scores for each potential comparable are not important alone, but only in relationship to the other potential comparables. Then any rating can be given on a particular criterion as long as properties that are similar receive the same rating.

After the matrix is completed and the points are totaled for each property, the NPS employees involved will look for a natural break in the point spread. All properties above that number will be selected as actual comparables. If a break level is not apparent or provides too few or too many properties, then an arbitrary number of properties may be selected. The determination can be made locally or through consultation. No specific number of comparables is required, but as a rule there should never be fewer than three actual comparables selected.

After the actual comparables are designated, further analysis will consider EQF to determine where the concession fits among the comparable properties and the range of rates. Following this analysis other factors deemed significant are introduced that help define the comparative quality of the concessioner's goods and services. Additional rates above comparability should never be authorized without written documentation. A possible rating scenario on the criteria for lodging follows:

Comparability Criteria	Concession	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
1. Competition	10	10	10	10	10	10	10
2. Seasonality	10	5	5	5	5	5	10
Year Round (5)							
Seasonal (10)							
3. Similar Area	10	5	10	10	10	5	10
Urban (3)							
Rural (5)							
Destination (10)							
4. Similar Clientele	10	10	10	10	10	10	10
Business/ Corp (5)							
Vacationers (10)							
5. Occupancy Rate	10	5	10	10	10	5	10
70% or less (3)							
71%-80% (5)							
81% + (10)							
6. Facility Characteristics							
Building Type	4	4	3	4	1	4	3
High Rise 3+ story (1)							
Low Rise (3)							
Detached/ Cabins (4)							
Age of Facility	3	2	3	3	2	3	1
1983 & newer (3)							
1962-1982 (2)							
1961 and older (1)							
Construction Type	3	3	3	3	2	3	3
Wood Frame (3)							
Masonry/Steel (2)							
Other (1)							
7. Similar Size	10	3	10	5	3	5	10
126 + rooms (5)							
91-125 rooms (10)							
50-90 rooms (5)							
20-60 rooms (3)							
< 20 rooms (1)							
TOTAL level of comparability	70	47	64	60	53	50	67

In this example, it appears a natural break in the point spread occurs at 60, so all properties with levels of comparability at or above 60 would be selected as actual comparables. In this case, Comp 2, Comp 3 and Comp 6 would be used as actual comparables for the concession.

EXHIBIT 2 INDEX PRICING WORKSHEET

Concessioner	Date
Location	NPS initials
Specific items	

	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 the 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

--

EXHIBIT 3 AVERAGING FREIGHT COSTS

This program is optional. It provides a way for concessioners to include an ***add on*** for freight costs without having to recalculate the retail price after every shipment of merchandise, so that prices do not fluctuate on items throughout the year.

The major burden is on the concessioner, who must keep accurate records for calculation of an average freight cost. The freight cost should be stated as a percentage of merchandise sold for the previous year. The concessioner would document to the NPS (at the Park level) exactly what the percentage for freight was for the past year. If the Park agrees to permit averaging and the concessioner's documentation is adequate, then the percentage could be added to all merchandise sold in the following year. This procedure is a variation on the standard process that requires the concessioner to calculate the freight rate for each individual item based on the identified costs on the separate invoices.

The concessioner is required to track the actual costs for the year in order to determine if recovery for freight costs is above or below the actual cost. This difference would then be taken into consideration in the next year by either raising or lowering the percentage to account for the difference. This is only an annual adjustment.

If the Park decides to allow this time-saving process it is necessary to ignore the invoice freight charges in calculating approved retail sales prices. The final rate for all merchandise would have the same percentage of freight charges (for example, 3.2%). Some of the actual freight rates would be higher and some lower than the overall average. The average percentage figure also includes reductions to freight charges received for quantity purchases or prompt payment.

As an example, if the wholesale cost of an item to the concessioner is \$10.00, \$0.32 (3.2% in the example above) could be added before the item is marked up to the final retail price. If the mark up is 100%, the final retail price of the example item would be \$20.64. This does not include rounding, local utility add on charges, or other appropriate costs. No add on costs are permitted for warehousing.

This process, when supported by accurate records, results in more stable pricing and a more convenient administrative process.

EXHIBIT 4 EXTRA QUALITY FEATURES

CAMPGROUNDS

Features (check if present)	Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Utility hookups (water, sewer, electric)					
Trash receptacles					
at site					
Centralized					
Dumping station					
included in campsite rate					
extra charge					
Showers					
included in campsite rate					
coin operated					
partitioned stalls					
open/common area					
heated					
Restroom service					
pit toilets					
flush toilets					
hot and cold water					
Water					
at individual sites					
scattered hydrants					
central only					

Site Characteristics

Site seclusion (utmost, moderate, limited)					
Separate area for tents					
Landscaping appropriate for natural terrain					
Type of access					
rough or gravel road					

paved					
Pull through for RVs and trailers					
Compliance with ADA requirements					
Lighted areas and paths					
Picnic table at site					
Fireplace/grill at site					

Service Related

Reservation system					
Public phone available					
Camper service store					
Food service					
Gasoline service station					
Propane					
24-hour onsite available					
Firewood available					
Coin-operated laundry available					
Ice available					
Vending machines					
Interpretative programs					
Entertainment programs					
Recreation room					
Swimming pool					

Local Factors Deemed Appropriate

**EXTRA QUALITY FEATURES
FOOD AND BEVERAGE SERVICE**

Features (Check if Present)	Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Decor representative of local area					
Compliance with ADA requirements					
Baby changing area in restrooms (men/women)					

Comfort Related

Air conditioning					
Live entertainment/stage					
Smoking/nonsmoking areas					

Service Related

Accommodates tour groups					
Takeout service available					
Complimentary coffee in lobby/waiting area					
Special menus (such as diabetic, vegetarian)					
Senior citizen discounts					
Children's menu					
Ability to pay at table vs. central cashier					
Accepts reservations					

Organizations

Major credit cards accepted					
Linen tablecloths (dinner)					
Glass vs. paper or plastic cups					
Single-service vs. flatware					

Local Factors Deemed Appropriate

**EXTRA QUALITY FEATURES
GASOLINE SERVICE STATIONS FACILITIES**

Features (Check if Present)	Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Restroom					
Public phone					
Car wash					
Air and water					
free to customers					
charge					
Convenience store					
Overhead canopy					
Compliance with ADA requirements					

Comfort Related

Waiting room for auto repair					
------------------------------	--	--	--	--	--

Service Related

Trailer/RV service					
Tires, batteries, and accessories					
Tire repair service available					
Tow service available					
Mechanic on duty					
Open 24 hours					
Open 7 days per week					
Accepts major credit cards					
Credit cards accepted at pump					

Local Factors Deemed Appropriate

**EXTRA QUALITY FEATURES
MARINA FACILITIES**

Features (check if present)

	Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Facility Related					
Hotel/motel					
Restaurant/bar					
Groceries					
Adequate water depth for draft of boats					
Secure boat tie-up system					
Fuel dock and other fuels (propane, etc.)					
Fire protection water and equipment					
Dock utilities (water, electric, cable TV, phone)					
Availability and proximity of parking lot					
Dock boxes and carts					
Dinghy racks and other storage areas					
Restroom, showers, and laundry					
Ice, vending machines					
Fish cleaning station					
Ship store/parts and accessories					
Landscaping					
Picnic area, swimming pool, tennis courts, etc.					
Recreation or lounge area					
Posted marina rules					
Boat haul-out facilities					
Repair/maintenance (mechanical, hull, rigging, etc.)					
Transient berths/moorings					
Dry storage					
Trailer parking					
Compliance with ADA requirements					

Service Related

Sewage pump-out station					
Marine VHF monitoring					

Dock hands to assist in docking					
Weather information					
Book/VCR library					
Charter boat operation					
Camping					
Swimming					
Water skiing					
Fishing					
Beach rentals					
Boat rentals					
Fishing equipment					

Local Factors Deemed Appropriate

**EXTRA QUALITY FEATURES
OVERNIGHT ACCOMMODATIONS**

Features (check if present)	Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Facility Related					
Rooms					
individual temperature control					
suites					
compliance with ADA requirements					
kitchenettes					
television					
free cable					
pay per view movies					
telephone					
free local calls					
internet					
wireless					
free internet access					
Vending					
in-room					
common area					
Swimming pool					
indoor					
outdoor heated					
outdoor unheated					
pool deck and/or patio area					
Retail facilities					
Restaurant/bar facilities					
cafeteria					
full service dining room					
bar					
Fireplace in common area					
Designated bus/camper parking					

Children's play area					
Recreation/weight room					
Marina					
Beach					
Tennis courts					
Golf privileges					

Convenience/Comfort Related					
Wall-to-wall carpet in rooms					
Grade-A furniture					
Bedside lighting controls					

Service Related					
Baggage (bell hop)					
Valet parking					
Room service					
Entertainment					
Medical assistance/RN on duty					
Audiovisual movies					
Make other reservations					
Rental cars available					
Major credit cards accepted					
Registration office open 24 hours					
800 number available					

Local Factors Deemed Appropriate

**EXTRA QUALITY FEATURES
TOUR SERVICES**

Features (check if present)	Concessioner	Comparable A	Comparable B	Comparable C	Comparable D
Facility Related					
Restroom on board					
Public address system					
Compliance with ADA requirements					

Comfort Related					
Reclining seats					
Air conditioning					

Service Related

Special activities arranged					
Accepts major credit cards					
Tour guides/foreign language capability					

Local Factors Deemed Appropriate

GLOSSARY

Actual Comparables: Those businesses selected from the list of potential comparables determined to be the most similar to the concessioner's operation.

Competitive Market Declaration: Method of rate administration for those concessioners that operate in a competitive market and derive no competitive advantage from being located in a park or when prices for items or services are routinely negotiated from the buyer and seller (such as boats and antiques).

Consumer Price Index (CPI): An index of prices used to measure the change in the cost of basic goods and services in comparison with a fixed base period.

Contract Specified Rate: Method of rate administration used when comparables are not available for unusual services, such as seaplane rides, mountaineering, bathhouses and interpretive services. Rates are established during the contracting process.

Convenience items: Products that are generally consumed regularly and viewed as necessities. Examples include ice, food, and personal care products.

Core Menu: Method of rate administration used for approving food and beverage rates.

Direct Comparability: Method of rate administration that compares concession operations and rates to the external market using specific criteria.

Extra Quality Features (EQFs): Additional attributes that add value. The purpose of including EQF information is to more accurately determine the value provided by the concessioner relative to the comparables.

Full Review: Direct Comparability process which requires an onsite visit to collect data. This is typically used for more complex operations such as hotels and full service restaurants.

Indexing: Method of rate administration which uses the consumer price index (CPI) to adjust prices.

Limited Review: Direct Comparability process which permits the collection of data by telephone, internet or other correspondence. This is used for smaller, less complex operations.

Markon Percentages: Represents that percentage of the selling price that is profit. This rate method is no longer used for setting concessioner rates.

Markup Percentages: The profit percentage that is added to the product cost to establish the selling price. The following formula is used to calculate Markup Percentages:

$$\text{Total Cost} \times (1 + \text{markup percentage}) = \text{selling price}$$

Potential Comparable: Any business enterprise or establishment suggested by either the concessioner or the Superintendent as a candidate for comparability to the concession.



FINAL

United States Department of the Interior

NATIONAL PARK SERVICE

1849 C Street, N.W.

Washington, D.C. 20240

IN REPLY REFER TO:
(2410)

July 20, 2010

Memorandum

To: Regional Concession Chiefs
Concessions Management Specialists
Superintendents with Concessions

From: Chief, Commercial Services Program

Subject: 2010 Concessions Management Rate Administration Guide

The National Park Service (NPS) Commercial Services Program Concession Management Rate Administration Guide (2010 Rate Guide) is now available. The 2010 Rate Guide replaces the April 2009 version and can be found online at share.nps.gov/commercialservices.

The 2010 Rate Guide includes the following key updates and changes:

Rate Method	Topic	Update/Change
Direct Comparability	Frequency of conducting Full Reviews	Clarifies that full reviews may need to be done more than every three years in some circumstances (e.g., new contracts, sale and transfers, major renovations).
	Criteria for "other services"	Adds an "other services" category and comparability criteria for those operations that fall outside standard service types.
	Unique comparable situations	Allows the use of other Government-managed properties, operations from other countries and operations on park in-holdings to be used as comparables. While allowable, these are still not preferred comparables.
Core Menu	Number of core items	Clarifies that the number of core menu items should be approximately one-third of the menu.
	Review of non-core rates	Defines "review" of non-core items as periodic evaluations and spot checks. Concessioners do not need to submit non-core for review.
	Range of rates	Allows the use of ranges in setting core menu prices, in addition to averaging.
Manufacturer's Suggested Retail Price (MSRP)	Use of MSRP	Adds MSRP as a rate method for 2010 as the preferred method for merchandise and convenience items that have a pre-printed MSRP on them and provides examples.

Rate Method	Topic	Update/Change
Markup	Variations from listed percentages	Allows the use of comparability or Competitive Market Declaration (CMD) to set the item price if a local market price for a convenience items appears out of sync with the associated markup percentage.
	Grocery items	Clarified that grocery items are considered convenience and therefore should be priced via MSRP or Markup.
	Mixed Product Categories	In retail stores where both merchandise and convenience items are sold, item should be marked using the corresponding rate method.
Competitive Market Declaration (CMD)	CMD criteria	Revises language to remove criteria such as “highly” competitive, “limited distances,” and “urban” to expand the use of CMD.
	If CMD does not apply	Clarifies that if CMD or MSRP does not apply, parks may use Markup using the “general merchandise” category.
Miscellaneous	Response times	Adds suggested response time of 60 days for parks to complete rate approvals unless stated otherwise in their Operating Plan.

Prior Policies Incorporated

The following NPS Commercial Services policies are incorporated into the 2010 Rate Guide and are therefore rescinded:

1. Concession Management Rate Administration Guide, April 2009
2. Clarifications on Rounding Concessioner Prices Using Mark-up for Convenience Items, August 14, 2009
3. Clarifications on the Use of Other Government Agency-Managed and Foreign Commercial Operations as Comparables for Rate Approvals, December 14, 2009
4. Clarifications on Use of Mark-on, Markup and Competitive Market Declaration, January 3, 2010
5. Administrative Changes to the Concession Rate Approval Program - Rounding for Merchandise Sales Price, January 21, 2003

Standards, Evaluation and Rate Approval (SERA) Project

The Commercial Services Program is currently engaged in a comprehensive SERA project that will include a thorough review of the Rate Administration Program. This effort may result in changes to the 2010 Rate Guide policies and procedures; notification will be provided should this occur.

Questions

If you have any questions regarding these policies and procedures, you may contact Kurt Rausch, Contract Management Team Lead, Commercial Services Program, at 202-513-7202 or via e-mail at kurt_rausch@nps.gov.