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# Better Management Of National Park Concessions Can Improve Services Provided To The Public

Although the National Park Service has made some improvements in its management of concession operations in accordance with GAO's 1975 recommendations, much more needs to be done. Among other things, the Park Service needs to ensure that concession facilities are safe and sanitary and that park visitors receive quality services at reasonable prices. GAO recommends a number of steps to improve management of concession operations in the parks. The Congress should amend the Concessions Policy Act of 1965 to help improve the Park Service's ability to manage concession operations.

OF THE UNITED STATES

# Comptroller General

REPORT BY THE

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-196522

The Honorable Dale L. Bumpers  
Chairman, Subcommittee on Parks,  
Recreation and Renewable Resources  
Committee on Energy and Natural Resources  
United States Senate

Dear Mr. Chairman:

As requested in your April 25, 1979, letter, this report discusses the management of concession operations by the National Park Service.

The report shows that the Park Service has made some improvements since our July 21, 1975, report on concessions management, but much more needs to be done. We are making a number of recommendations to the Secretary of the Interior to improve concessions management by the Park Service. We are also recommending that the Congress amend the Concessions Policy Act of 1965 to enable the Park Service to better manage concession operations.

National Park Service's and concessioners' comments were obtained and were considered, where appropriate, in preparing this report.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

*Ernest R. Rosten*

Comptroller General  
of the United States





COMPTROLLER GENERAL'S  
REPORT TO THE CHAIRMAN  
SUBCOMMITTEE ON PARKS,  
RECREATION AND RENEWABLE  
RESOURCES, COMMITTEE ON  
ENERGY AND NATURAL RESOURCES,  
UNITED STATES SENATE

BETTER MANAGEMENT OF NATIONAL  
PARK CONCESSIONS CAN IMPROVE  
SERVICES PROVIDED TO THE  
PUBLIC

D I G E S T

Lodging, food, transportation, and other services are provided to visitors to national parks by concession operators. GAO previously reported on improvements needed by the National Park Service in administering concession contracts in 1975. The Park Service has made some improvements since then, but needs to do more. Among other things, the Park Service needs to step up its oversight of concession operators to make sure that visitors are adequately protected against safety and health hazards and receive good service at fair and reasonable prices.

The Congress should amend the Concessions Policy Act of 1965 to help improve the Park Service's ability to manage concession operations.

NATIONAL PARK SERVICE NEEDS TO IMPROVE CONCESSIONS MANAGEMENT

Health and safety

The Park Service allowed concessioners to operate facilities with major safety deficiencies and did not take adequate steps to make sure that deficiencies were corrected. Also, the Park Service did not (1) conduct all required safety inspections, (2) always conduct followup inspections to make sure corrections were made, and (3) have properly trained safety personnel.

At Yellowstone National Park in Wyoming, two lodging facilities capable of housing over

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At six of the seven parks GAO visited, many of the required evaluation inspections were not made. Without inspections, the Park Service cannot be certain that visitors are receiving satisfactory service and does not have a firm basis for assigning concessioners an annual performance rating. The annual rating is used as a basis for determining if concessioners should be allowed to continue operating.

GAO found that the Park Service did not always make the required number of evaluation and followup inspections, and its personnel had not been adequately trained to carry out the evaluations.

In accordance with GAO's 1975 recommendation to develop standards for evaluating satisfactory concessioner performance, the Park Service established a comprehensive program. However, GAO believes that the program would be more effective if visitors' opinions and comments were used in appraising concessioner performance.

Evaluation of concession operations

(See p. 39.)  
The Park Service should take strong action against concessioners who violate critical health and safety standards.  
The Park Service also needs to improve its program to protect the public against unsanitary food service operations. Required health inspections and followups were not always made, and deficiencies recurred even after corrections had been made. At Gateway National Recreation Area in New York, unsanitary food service facilities were allowed to remain open after a sanitation expert recommended that they be closed.  
2,000 people were allowed to operate with deficiencies that could have resulted in deaths or serious injuries. However, after GAO expressed its concern, fire detection and evacuation measures were improved.

Franchise fees are paid by concessioners for the privileges granted under their contracts. The fee is based on a percentage of gross sales plus a charge for use of government-owned facilities.

Franchise fees

The Park Service has established a task force to resolve problems with the new rate approval system. GAO recommends that the task force conduct a more comprehensive evaluation of the system, taking into consideration the problems GAO identified. (See p. 63.)

The Concessions Policy Act requires rates charged the public for concession services to be comparable to those charged for similar facilities and services outside the park. Under the interim rate approval guidelines, in effect during GAO's review, the Park Service did not always ensure that rates were fair and reasonable. For example, at Yellowstone National Park visitors paid about \$36 a night for lodging, while comparable lodging outside the park was available for about \$28 a night.

The Park Service developed a comprehensive system to determine whether rates charged the public for the use of concession facilities and services are fair and reasonable. The system has not yet been implemented nationwide. The Park Service has identified problems which may lead to its revision and GAO identified other potential problems. For example, the prescribed procedures do not cover all concessioner services, and the quality of facilities and services may not be adequately considered during the rate approval process. Also, Park Service personnel have not been given adequate training.

Rates charged the public

The Park Service should improve its system for evaluating concessioner performance. (See p. 53.)

In seven of the eight transfers GAO reviewed, the Park Service did not become involved until the existing and new concessioners had reached agreement on the transfer. At that point the Park Service found it difficult to turn down the transfer. In one case the buyer of a lodging facility had moved to the park and was working with the concessioner while awaiting Park Service approval.

Concessioners that no longer want to provide the concession services authorized by their contracts are permitted to transfer their operations to other qualified parties. Park Service procedures to control transfers, in effect, allow the established concessioner to determine who is qualified to operate the facility or service.

Transfers of concession operations

The Park Service should develop a new franchise fee rate system that best reflects the value of the privileges granted under concession contracts and that can be easily understood and properly applied by concessions management staff. (See pp. 75 and 76.)

For example, at Yosemite National Park a number of Park Service analyses were made to determine the franchise fee to charge a photographic studio. Officials' opinions on what the rate should be ranged from 2 to 5 percent of the studio's gross sales.

The franchise fee rate structure has improved little since GAO's 1975 review. Although the Park Service spends a great deal of time analyzing and discussing rates charged individual concessioners, it has not established criteria to ensure that the rates are proper. Park Service personnel who set the rates lack the financial backgrounds needed to set rates effectively.

1/Possessory interest is the right of a concessioner to be compensated for the value of improvements it has made if the Government should end the contract or otherwise deprive it of the use and benefit of those improvements.

In 1975 GAO pointed out that the Park Service may face difficulty requiring concessioners, especially those with large possessory interests, 1 to adequately maintain facilities and provide quality service to the public. At times, the Park Service's only alternative may be to terminate the contract and purchase the possessory interest. Buying out a concessioner with a large possessory interest can be time consuming. At Yellowstone, the Park Service spent 4 years terminating the contract of a lodging and food service concessioner that had allowed the facilities to deteriorate. During this period the facilities continued to deteriorate and visitors received less than satisfactory service. The Park Service estimated that it will cost about \$43 million to bring the facilities up to an acceptable standard. This is in addition to about \$20 million that the Park Service will pay to buy out the concessioner's possessory interest. As it did in the 1975 report, GAO recommends that the Congress finance future construction of Park Service concession facilities

Possessory interest

NEED FOR CONGRESSIONAL ACTION

Before concession operations are transferred, the Park Service should, in cooperation with the present operator, solicit parties interested in taking over the concession and determine which prospective operators are qualified. The Park Service would then submit the names of the qualified parties to the existing concessioner, which would negotiate the transfer. (See pp. 83 and 84.)

Proposed amendments to incorporate these recommendations are included as appendix III. (See p. 97.)

(See p. 21.)  
not need additional legal advantages. who want to operate in the parks--they do have a competitive advantage over others GAO believes existing concessioners already have a competitive advantage over others of first refusal to provide new or additional services also should be eliminated. Act to eliminate the right of preference for contract renewal. Preferential rights the Congress amend the Concessions Policy As it did in 1975, GAO recommends that

the contract.  
cessioner had preference and was awarded proposal. In all cases the existing concessioner had preference and was awarded 4 cases only one other party submitted a ted contract proposals; in each of the other 1977 through 1979, no other parties submitted 26 contracts up for renewal from

In 22 of 26 contracts up for renewal from 1977 through 1979, no other parties submitted 4 cases only one other party submitted a proposal. In all cases the existing concessioner had preference and was awarded the contract.  
sorry interest.  
contributes to the buildup of large possess-  
to provide new or additional services also  
services. Giving concessioners preference  
discourages competition to provide concession  
new and additional services eliminates or  
ers for contract renewal and for providing  
Granting preferential rights to concession-

Preferential rights

whenever possible to avoid problems caused by possessory interest. Recognizing that such financing is not always possible, GAO recommends as an alternative that the Congress amend the Concessions Policy Act of 1965 to allow possessory interest in cases where it is the only way to have the facilities constructed or improved. If possessory interest is granted, it should be amortized over a period no longer than the estimated useful life of the structure or the term of the contract, whichever is shorter. (See pp. 12 and 13.)

AGENCY COMMENTS

The Park Service has taken or plans to take corrective action on most of GAO's recommendations. In a number of cases, the Park Service planned to study the recommendation or form a task force to consider the recommendation.

The Park Service did not agree with GAO's recommendation to conduct additional health inspections on concession facilities that continually operate under unsanitary conditions and to post the results at the facility. The Park Service stated that the long term effect of making additional inspections would be negligible and that posting health inspection rating scores would have limited meaning to the general public.

GAO disagrees. GAO's recommendation is directed to the most blatant and chronic offenders of sanitation standards and is a good interim step to have sanitation deficiencies corrected. Although posting a numerical health rating score may have limited meaning to the public, the score can easily be converted to an equivalent rating of "satisfactory," "marginal," or "unsatisfactory," which the public would understand. (See p. 41.)

The Park Service commented on GAO's recommendation to the Congress to amend the Concessions Policy Act to restrict the granting of future possessory interest. The Park Service said that, if the law is changed, it should provide that in the event that the Government terminates a contract for unsatisfactory service, compensation should not be in excess of the unamortized book value based on the original construction or improvement cost. The Park Service position is in basic agreement with GAO's recommendation as it relates to unsatisfactory concessioners. The Park Service, however, did not state its position on the sale of a possessory interest by concessioners that have performed satisfactorily.

Comments made by other concessioners were helpful in making minor factual corrections to the report.

General Host Corporation, the operator of the Yellowstone lodging facilities until November 1979, stated that performance under its contract was always at or above a satisfactory level. GAO disagrees and believes that the facts presented in the report accurately reflect General Host's Yellowstone operations. (See pp. 15 and 42.)

Sections of the draft report that discussed specific concession operators were provided to those concessioners for comment. Six of 12 concessioners responded--5 by letter and 1 orally.

CONCESSIONER COMMENTS

The Park Service did not agree with GAO's recommendation that the Congress should eliminate preferential rights to provide new and additional services. The Park Service stated that it could not take a position on GAO's recommendation that the Congress eliminate preferential rights for contract renewal without further study. (See p. 21.)

GAO recommends that satisfactory concessioners should be permitted to sell their possessory interest to third parties at the best price obtainable; however, the original cost to construct or improve the facilities should continue to be amortized and the facilities would be wholly owned by the Government at the end of the amortization period. (See p. 13.)



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II

Proposed amendments to the Concessions Policy Act of 1965, to incorporate GAO recommendations

III

Letter dated June 12, 1980, from the Assistant Secretary-Policy, Budget and Administration, Department of the Interior

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Letter dated June 5, 1980, from the Chairman of the Board, General Host Corporation

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Letter dated June 5, 1980, from the President, Mesa Verde Company

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Letter dated June 3, 1980, from The Ansel Adams Gallery

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Letter dated June 2, 1980, from the President, Outdoor World LTD

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Undated letter from a former concessioner at Olympic National Park

ABBREVIATIONS

NPS	National Park Service
GAO	General Accounting Office
YPC	Yellowstone Park Company
YPCO	Yosemite Park and Carry Company
SRI	Stanford Research Institute



On October 9, 1965, the Congress enacted what is commonly referred to as the Concessions Policy Act of 1965 (16 U.S.C. 20). This act established detailed policies and procedures for administering concession operations. It provides that concession operations should be limited to those necessary and appropriate for public use and enjoyment of the national park areas. The act also provides guidance on

For the privilege of operating in the parks, concessioners are generally required to pay NPS a franchise fee based on a percentage of gross receipts. During calendar year 1978, gross receipts for all parks were estimated to be about \$220 million. NPS collected about \$4.2 million in franchise fees from concessioners during fiscal year 1978. Of this amount, about \$865,000 was collected from the seven park areas in our review.

As of March 5, 1980, 475 concessioners were operating in the national park system--123 under contracts and 352 under permits. A contract is required when (1) the concessioner is granted a preferential right to operate in the park, (2) anticipated gross receipts exceed \$100,000, or the term of the agreement is 5 years or more, and (3) the concessioner acquires and/or constructs permanent facilities or is authorized to acquire possessory interest or required to make a substantial investment in personal property. A permit is appropriate for small operations where these conditions do not exist.

NPS manages 321 park areas covering about 77 million acres of land. These areas are administered through NPS headquarters in Washington, D.C., and nine regional offices, each headed by a regional director. Each park area is managed by a superintendent. As of September 1979, NPS had 8,744 permanent employees--434 at headquarters and 8,310 in the field. For fiscal year 1979, the Congress appropriated \$521 million to NPS primarily to operate the national park system.

The National Park Service was established by an act of August 25, 1916 (16 U.S.C. 1), to promote and regulate the use of national parks and monuments. The 1916 act required NPS to provide for the public enjoyment of such areas and grant concessioners the use of parkland to provide visitor accommodations.

INTRODUCTION

CHAPTER 1

SCOPE OF REVIEW

concession contracts, awards, extensions and renewals of contracts, and concessioner profits and franchise fees.

In an April 25, 1979, letter to our Office, the Chairman of the Subcommittee on Parks, Recreation and Renewable Resources, Senate Committee on Energy and Natural Resources, asked us to determine if the National Park Service (NPS) is effectively protecting park resources and providing adequate services to the public in carrying out its concessions management responsibilities. We were also asked to find out what NPS has done in response to recommendations we made in a July 21, 1975, report entitled "Concession Operations in the National Parks--Improvements Needed in Administration" (RED-76-1). Major issues addressed were:

--Concession contract policies and procedures, including possessory interest, preferential rights, franchise fees, and transfers of contracts.

--Quality of concessioner services, including health and safety standards.

--Appropriateness of park activities.

--Park Service staffing.

The subcommittee asked that we review national parks from representative regions of the country, including urban parks as well as the more traditional western parks. Consequently, we selected seven national park areas from various regions of the country. The following table shows the 1979 funds allocations, the number of concessioners operating under contracts, and the number of NPS employees for the seven park areas selected for review.



Note a: Includes seasonal employees.

National park area	Fiscal year 1979 allocation of appropriated funds	Concessioners operating under contracts as of March 5, 1980	Number of NPS employees as of September 1979 Perma-part-time	(Note a)
Ft. Sumter National Monument, S.C.	\$ 500,700	1	15	13
Gateway National Recreation Area, N.Y.	9,362,000	4	168	157
Mammoth Cave National Park Ky.	1,803,400	2	51	56
Mesa Verde National Park, Colo.	1,452,600	1	38	24
Mt. McKinley National Park, Alas.	1,600,000	1	20	7
Yellowstone National Park, Wyo.	8,852,800	3	79	395
Yosemite National Park, Calif.	6,547,700	5	128	246

In addition, we conducted our review at:

--NPS headquarters in Washington D.C., and its regional offices in Atlanta, Georgia; Boston, Massachusetts; Denver, Colorado; San Francisco, California; and Seattle, Washington.

--NPS Denver Service Center.

We hired two independent consultants--a certified fire marshal and a certified fire marshal and building inspector--to assist us in reviewing the safety aspects of certain concession facilities in Yellowstone National Park.

1/Possessory interest is the right of a concessioner to be compensated for the value of the improvements it has made if the Government should end the contract or otherwise deprive it of the use and benefit of those improvements. The act and NPS contracts provide general guidelines for determining the amount of compensation for the possessory interest.

In 1975 NPS began a serious effort to terminate its contract with YPC for failure to satisfactorily maintain the concession facilities and otherwise perform its contract obligations. It took NPS nearly 4 years to terminate YPC's contract. During this period, NPS thoroughly analyzed YPC's

THE YELLOWSTONE PARK COMPANY  
NPS PROBLEMS IN MANAGING

NPS' experience in terminating a contract with the Yellowstone Park Company (YPC), a subsidiary of General Host, on October 31, 1979, illustrates the difficulties of managing a concession with sizable possessory interest and attempting to terminate the contract for unsatisfactory performance.

NPS can have great difficulty requiring concessioners with large possessory interests to maintain facilities adequately and provide quality service to the public. As a result, NPS may be placed in a position where its only alternative is to terminate the contract and purchase the concessioner's possessory interest. However, buying out a concessioner with large possessory interest can be time consuming and expensive.

The Concessions Policy Act of 1965 requires that NPS allow concessioners a possessory interest 1/ in facilities they acquire or construct in national parks. In our 1975 report on NPS' management of concession operations, we pointed out that having one large concessioner control all concessions in a park limits NPS' options for enforcing compliance with concessioner contracts. We also pointed out that it is difficult to obtain funds to buy out a large possessory interest concessioner which does not provide satisfactory service to the public.

DIFFICULT MANAGEMENT PROBLEMS

POSSESSORY INTEREST CREATES

CHAPTER 2

1/After the purchase, the company continued to be called Yellowstone Park Company.

General Host's contract with NPS became effective on October 1, 1966, and was to expire on September 30, 1996. In the contract, General Host agreed to spend not less than \$10 million by June 30, 1975, on a construction and renovation program for YPC. If the program had not been completed by that date, the contract was to be terminated on September 30, 1975. The program was to include construction and operation of new concession facilities, primarily for

In 1966 the Goldfield Corporation purchased YPC for \$4 million. (Apparently, YPC, then a family-owned corporation, decided to sell out after NPS indicated its intention to terminate the company's concessions contract for unsatisfactory performance.) 1/ Also in 1966 the Goldfield Corporation, through various mergers and acquisitions evolved into the General Host Corporation. NPS welcomed commitments by Goldfield (General Host) to improve the facilities and management.

Problems in managing YPC, one of NPS' largest concessioners, had existed for some time. Facilities and customer service had been deteriorating for a number of years. In NPS' opinion, the company's operating objective appears to have been one of short-term profits rather than long-term investment and management.

NPS' problems with YPC had existed for a long time

YPC's contract was terminated on October 31, 1979. NPS agreed to pay YPC about \$20 million for its possessory interest and estimated that it would cost another \$43.2 million to rehabilitate the facilities to an acceptable level. In our opinion, YPC's large possessory interest and the fact that it was the only concessioner providing lodging and related food service in the park made it difficult for NPS to require the company to improve its facilities and services without a major disruption of visitor services.

performance under its contract and made a comprehensive evaluation of YPC's concession facilities to justify terminating the contract. In the interim, the concession facilities deteriorated further and visitors received less than adequate service.

1/NPS subsequently extended the YPC-General Host contract to Dec. 15, 1978, while NPS continued its termination efforts. Although the contract did expire on this date, NPS allowed YPC-General Host to operate in the park until Oct. 31, 1979.

--Lodging in the park was characterized by slow service at the front desk and poorly furnished, ill-maintained sleeping quarters. Generally, the facilities were found to be poorly decorated, poorly furnished and equipped, poorly lighted, poorly cleaned, poorly heated and insulated, and merely tolerated by the typical park visitor.

--Food service was slow and concessioner employees were not responsive to basic visitor needs. Sanitation standards were below those of many public health departments and large hospitality companies. Menus lacked variety; range of prices; and efficient planning for color, taste, and appearance.

In conducting its study, NPS found that YPC provided lower quality facilities and services to visitors than would be expected in the free enterprise system outside the park. NPS found that company management was fragmented, lacked sufficient experience in operation, and did not respond adequately or consistently to visitor needs. The study report states that the company was not oriented to public service, but only to making a profit. According to the report, the company would not have survived in a competitive environment outside the park. Among other things, the report states that:

According to a 1976 NPS study of the Yellowstone Park Company, in 1969 NPS began to seriously doubt that General Host would fulfill its contractual obligations concerning either the construction program or the operations improvement program. The study points out that from 1969 to 1976 the facilities and operations continued to deteriorate unchecked while NPS concentrated its efforts on other matters, including a study of the company's contract performance. In August 1975 NPS extended YPC's contract to September 30, 1977, so it could complete the study.

lodging, and correction of deficiencies that caused the prior owners to provide unsatisfactory services. These deficiencies included inadequate visitor accommodations and employee housing, unsanitary conditions, and poor management and supervision.

--Most concessioner facilities showed extensive signs of advanced age and improper maintenance. For example, the roof received little attention until it started to leak; painting was not done often; windows and screens were left cracked, broken, and torn; and flooring was characterized by warped and broken tiles and worn, stained, and frayed carpets. Maintenance was not planned, but rather was conducted on a crisis-by-crisis basis.

NPS study showed that YPC facilities needed extensive structural repairs

In September 1978 NPS assigned a survey team of 60 experts from its Denver Service Center to thoroughly investigate YPC's concession facilities. The team examined the architecture, structural components, and mechanical and electrical systems of the buildings and related parking, roads, and landscaping. The survey took approximately 2 months to complete. The team reported that approximately \$43.2 million was needed to bring the facilities up to an acceptable level:

(millions) \$ 9.8

Emergency rehabilitation: Repairs to eliminate public safety hazards, code violations, fire or explosion potential in utilities and equipment, and general problems endangering visitors' and employees' lives.

28.6 Long-term rehabilitation: Correction of obvious building and grounds problems that are a major concern but are not health or safety hazards. Includes repainting, and roofing, repairing unsightly and ramshacked buildings, and renovating completely inadequate toilet facilities and poorly maintained and furnished public rooms.

2.2 Maintenance: Repairs that can be performed by the maintenance staff that will help bring the facilities to an acceptable level and maintain them after the rehabilitation program has been implemented.

We discussed NPS' failure to take necessary steps to have the deficiencies corrected with the Yellowstone Park Superintendent. He said that YPC facilities are a "massive plant in chaos" with efforts to correct the situation dating back to 1955. He said he was specifically sent to Yellowstone National Park in 1975 to resolve the problems NPS was having with YPC. He said that after 4 years of effort, YPC's contract was finally terminated. The Superintendent recognized that NPS' previous efforts to improve maintenance were fruitless. He said that since the concessioner was aware since 1975 that NPS planned to terminate its contract, closing the facilities at that point would not have corrected the problems. He also said that, in his opinion, the identified problems were not as severe as the

Eventually, by letter dated December 13, 1978, NPS notified General Host that the YPC concessions contract was to be terminated. The letter pointed out YPC's record of unsatisfactory performance and noted its failure to invest enough funds to operate "even barely adequate, much less quality concession facilities." NPS used General Host's failure to meet its commitment to spend \$10 million for improvements as the specific reason for contract termination.

The deficiencies NPS identified in its 1976 and 1978 studies of YPC continued to be major problems. Facilities continued to deteriorate and visitors continued to receive inadequate service. YPC operational deficiencies identified through NPS health, safety, and evaluation inspections consistently recurred or went uncorrected. YPC received unsatisfactory operational ratings in 1976, 1978, and 1979, and although it received a satisfactory rating in 1977, health and safety problems were obviously present. However, despite these ratings and the knowledge that major fire and structural hazards existed at some lodging facilities, NPS allowed the concessioner to continue operating its unsatisfactory facilities. Short of terminating the contract, NPS did not take sufficient action to require YPC to improve its services and assure public safety.

operating with serious deficiencies  
NPS allowed YPC to continue

Landscaping:	\$ 2.6
Bring Landscaping up to a satisfactory standard of design or maintenance for public and employee use or resource protection.	
Total	<u>\$43.2</u>

The conference report on the Department of the Interior's fiscal year 1980 appropriations act indicated that the Appropriations Committees are concerned with the current method of granting possessory interest. According to the report, the managers of the Committee of Conference were distressed that NPS has little or no recourse when a concessioner provides inadequate service. The report states that

Government.

To limit problems caused by possessory interest, we believe that in the future such interests should be limited to those instances where no other alternative to finance the improvements is available. If it is granted, we believe that the possessory interest should be amortized over a specific period of time and at the end of that period, the structure or improvement would be wholly owned by the

Also, it would probably be less difficult to buy out a concessioner with a smaller amount of possessory interest. Under the law, NPS negotiated to pay YPC-General Host about \$20 million for facilities it paid \$4 million for in 1966.

We recognize that NPS can have trouble requiring concessioners with large possessory interest to correct deficiencies in their operations, particularly if public service will be severely disrupted. However, it is NPS' responsibility to protect the public against safety and health hazards and to assure that it receives satisfactory service from concessioners. In our opinion, NPS would be in a better position to manage concession operations if several concessioners with smaller amounts of possessory interest operated in a park rather than one concessioner managing all or most of the park operations. If the operations were controlled by a number of concessioners, only a small part of the park's concession operations would be affected by an unsatisfactory concessioner.

The Yellowstone Chief Concession Specialist told us that, in his opinion, the management situation at Yellowstone had deteriorated over the years because his predecessors were not aware of the scope of their enforcement authority, including closing unsatisfactory facilities. He said that closing down unsatisfactory operations was the heart of NPS' enforcement authority. But he agreed with the Park Superintendent that closing down any facility with contract termination so near would not result in correcting the

inspection reports indicated. However, we found that the deficiencies were that severe. (See p. 26.)



NPS has several options for operating Yellowstone National Park visitor facilities in the future--single concessioner, several concessioners, nonprofit corporation, or some other arrangement. Whatever alternative it chooses, we believe NPS must take steps to assure that the problems it has had with General Host do not recur.

--Significantly improve service to the public.

--Apply before-tax net profits above \$350,000 to maintenance and repair expenditures. (This amount is in addition to the 13.6 percent of gross receipts.)

--Commit at least 13.6 percent of the previous year's gross receipts for repair and maintenance expenditures. (According to NPS, based on estimated 1979 gross receipts of \$16 million, about \$2.1 million would be committed for repair and maintenance expenditures each year of the contract.)

The Director stated that TWA was selected because of its strong commitment to minority programs and a willingness to spend generous sums on buildings and facilities maintenance. TWA agreed to:

On September 28, 1979, the NPS Director announced that TWA Services, which operates concessions in four other national park areas had been selected over 11 other firms as the temporary concession operator at Yellowstone. The contract provides that TWA will operate the concession facilities for a 2-year period while NPS determines a long-term course of action. TWA will receive no preferential rights for future contract considerations and cannot accrue possessory interest during the contract period.

CONCESSIONS OPERATIONS  
FUTURE YELLOWSTONE

although termination is possible, the concessioner must still be compensated for any possessory interest. Because of their concern, the managers included language in the appropriations act that requires future NPS concessions contracts to contain a clause that provides, if a concessioner is unsatisfactory, for the possible extinguishment of possessory interest in the amount of book value. The report requests that appropriate legislative committees review the present concessions legislation to eliminate the current problems with possessory interest. As discussed above, we believe that the current law needs to be changed to make the granting of possessory interest more restrictive in the future.

CONCLUSIONS

NPS' experience in terminating the concession contract with General Host to manage the lodging and restaurant facilities at Yellowstone National Park demonstrates the management problems that can occur when a large proprietary interest concessioner provides unsatisfactory service to the public. NPS took nearly 4 years to terminate its contract with General Host and had to pay nearly \$20 million to buy out the company's proprietary interest. In the interim the concession facilities were allowed to deteriorate to the point where they seriously threatened public safety and visitors continued to receive less than satisfactory service. The fact that YPC was the only concessioner providing lodging and related food service in the park limited NPS' options for requiring it to improve without seriously disrupting service to the public.

Large proprietary interest concessioners who operate all or most of the concession operations in a park can put NPS in a position where it is difficult to force the concessioner to take necessary corrective action without major disruption of service to the public. As a result, NPS has not taken sufficient action to have concessioners correct deficiencies and significant deterioration of facilities and visitor services has occurred. Moreover, if it becomes necessary to terminate a large proprietary interest concessioner, the buy out can be expensive and time consuming.

NPS would be in a better position to manage concession operations if restrictions were placed on the granting of proprietary interest in the future.

RECOMMENDATIONS TO THE CONGRESS

In our 1975 report we recommended that, to reduce potential problems from large proprietary interests, the Congress encourage Government construction of facilities whenever possible. We still believe and recommend that the Congress should finance construction of needed facilities to accommodate park visitors whenever possible. We recognize, however, that the Congress may not always be able to provide the needed funds. Therefore, to lessen the impact that proprietary interest can have on NPS management, we recommend that the Congress amend the Concessions Policy Act to allow proprietary interest only in those instances where no other alternative is available and then only under the following conditions.

In making our recommendation, we recognized that the Congress would not always be able to provide the funds to finance needed facilities. For this reason we recommended that the Congress amend the Concessions Policy Act to provide an acceptable alternative to Government financing and granting of possessory interest. We believe that the concessioners NPS selects to operate Government-owned facilities would be willing and can be required to accept a great

NPS stated that our recommendation that the Congress should finance future construction of needed facilities to accommodate park visitors would be acceptable, but it pointed out that there may be pitfalls to such an arrangement. Pitfalls NPS cited were (1) the appropriation process is a 3-year cycle with uncertainties as to the final appropriation, (2) any particular year when financing would be required could well be a year of administrative and congressional cutbacks, and (3) along with Government ownership comes the responsibility for maintenance and rehabilitation.

AGENCY COMMENTS AND OUR RESPONSE

1. Possessory interest should be valued by the Government at no more than the original cost to construct or improve the facility less amortization over a period no longer than the estimated useful life of the facility or the term of the contract, whichever is shorter. At the end of such periods, the possessory interest would be extinguished and the Government would have total ownership.
2. If the contract is terminated by NPS or the concessioner and the facility has not been fully amortized:
  - a. Satisfactory concessioners should be permitted to sell their possessory interest to third parties at the best price obtainable, provided the operation is to be continued. However, the original cost should continue to be amortized. At the end of the amortization period the possessory interest would be extinguished and the Government would have total ownership.
  - b. Unsatisfactory concessioners should be required to sell their remaining possessory interest to the Government at no more than its unamortized value. (See app. II for GAO's proposed amendments to the Concessions Policy Act of 1965.)



We believe that the facts presented in this report accurately reflect the conditions of General Host's Yellowstone operations and facilities. Based on our review, it was obvious that General Host had not provided the public with service that was at all times at or above a satisfactory level. Although General Host's operations did improve during the 1979 operating season, conditions were such that NPS again rated the concessioner unsatisfactory. In its letter notifying General Host that its contract was to be terminated, NPS cited General Host's continued record of unsatisfactory performance, including inadequate sanitation, levels, food service, lodging operations, and maintenance, and excessive facility deterioration. NPS stated that underlying these problems was General Host's failure to invest sufficient funds to operate even barely adequate concession facilities. NPS used General Host's failure to meet its commitment to spend \$10 million for improvements as the specific reason for contract termination. (General Host had spent about \$6 million for improvements.)

In commenting on its Yellowstone operations, General Host expressed its belief that its concession operation provided the public a high level of service throughout the park. According to General Host, performance under its concessions contract was always at or above a satisfactory level. Following NPS reports citing deficiencies, General Host stated that it reviewed criticisms carefully and undertook programs designed to eliminate the deficiencies that actually existed. General Host stated that its Yellowstone contract was not terminated for deficiencies in service but for alleged failure to comply with the contract's capital expenditure requirements.

CONCESSIONER COMMENTS AND OUR RESPONSE

Future NPS concessions contracts must include a termination-for-cause clause that provides for possible extinguishment of possessory interest in the amount of book value. We believe that such a contract provision would place the Government in a more favorable position if a concessioner's contract were terminated for unsatisfactory performance. However, we believe that the provisions for granting possessory interest should be made even more restrictive, and we believe the method we recommended is best for the Government for the reasons discussed above. On the Department of Agriculture's Forest Service lands, concessioners have been willing to invest large sums of money to construct facilities without the benefit of receiving possessory interest.

PREFERENTIAL RIGHTS SHOULD BE ELIMINATED

The Concessions Policy Act of 1965 authorizes NPS to have a single concessioner operate all similar facilities and services in a national park area. Also, to encourage continuity of concession operations, the act requires the Secretary of the Interior to give existing concessioners preference in the renewing of their contracts if the Secretary determines they have operated satisfactorily. The act authorizes, but does not require, the Secretary to give an established concessioner a preferential right of first refusal to provide any new or additional services considered necessary and appropriate for the enjoyment of park visitors.

In our 1975 report on NPS concessions management, we pointed out that NPS did not have sufficient information to determine whether concessioners were operating satisfactorily and therefore entitled to preferential rights to renew their existing contracts or provide new or additional services. We also stated that NPS' policy of preferring to have only one concessioner in each park reduced the opportunity for small businesses in concession activities. To overcome these problems, we recommended that the Congress consider amending the Concessions Policy Act to eliminate preferential renewal rights.

Since 1975, preferential rights of renewal and for new and additional services have continued to eliminate other parties from competing to operate a business in the national parks. Also, giving preference for new and additional services contributes to the buildup of large possessory interest concessioners. As the General Host case in Yellowstone illustrates, possessory interest can cause difficult management problems for NPS. Furthermore, preferential rights can result in additional costs to national park visitors.

NPS has implemented a system to evaluate concessioner performance that it uses during contract renewal to determine whether concessioners are entitled to a preference. However, NPS has not implemented the system effectively.

ELIGIBILITY FOR PREFERENTIAL RIGHTS NOT EFFECTIVELY DETERMINED

The Concessions Policy Act requires that a preferential right of renewal be given to concessioners that have performed satisfactorily under their contracts. Therefore, NPS must determine if concessioners are eligible for such

The public notice and fact sheet normally state that the existing concessioner has performed to NPS' satisfaction and is entitled to preferential treatment in the negotiation

NPS is required to give public notice of its intention to renew the contract of any existing concessioner. A copy of the notice to renew the contract must also be sent to parties which have previously expressed an interest in such activities. Anyone expressing further interest is given a fact sheet on the concession activity. A fact sheet contains basic information on the type of services to be provided, the terms of the contract, franchise fees, maintenance requirements, or other special conditions. Interested parties are usually given at least 30 days to submit their offers after notification in the Federal Register.

Renewal of existing contracts

Contracts that grant preference for renewal and preferential rights for new or additional services effectively eliminate almost any chance for other interested parties to operate a concession in the parks. Also, a concessioner that opts to provide new and additional services can substantially increase its possessory interest if major construction or improvements are necessary to accommodate the public.

PREFERENTIAL RIGHTS LIMIT COMPETITION AND CREATE LARGE POSSESSORY INTEREST

NPS needs to improve its implementation of the program to assure that visitors receive adequate service and that only concessioners providing satisfactory service are given preferential rights. However, even if these problems are corrected, we believe that preferential rights should be eliminated in future concession contracts. Our reasons are discussed below.

rights by determining if they have provided satisfactory service to the public. (Our review of NPS' program to evaluate concession operations is discussed in ch. 5.) Basically, we found that NPS has developed a program for systematically evaluating concessioner performance, but it has not been implemented effectively. Many of the required evaluation inspections were not performed; followup inspections were not always made to assure that deficiencies were corrected; visitors comments were not considered in evaluating performance; and NPS personnel were not adequately trained to carry out the program.

From 1976 through 1979, NPS issued 49 concessions contracts, 15 of which gave the concessioner the right of first

The Chief of NPS' Concessions Management Division told us that very seldom, if ever, will an existing concessioner turn down an opportunity to provide new or additional services. He agreed that preferential rights for new services are monopolistic but stated that they do provide some benefits. He said that there are fewer contracts to administer; no duplication of warehouses is necessary; fewer supply trucks are ultimately sent into the park; and development of the park generally will not be as large if the existing concessioner expands its facility.

When NPS decides that new or additional facilities or services are needed, an existing concessioner providing similar or comparable services is given the opportunity to provide them without competition if the contract provides for the right of first refusal. If no such concessioner exists or if the concessioner decides not to expand, a prospectus describing the proposed concession activity is publicized through a press release and in newspapers. The prospectus is also mailed to parties who have previously informed NPS of their interest in obtaining a concessions contract.

#### New or additional facilities and services

During the period 1977-79, NPS issued fact sheets for 26 concessions for which contracts had expired. In each case, the existing concessioner wanted to continue the operation. All 26 concessioners were rated as operating satisfactorily and their contracts were renewed. In 22 of the cases, no other parties submitted an offer to NPS; in each of the other 4 cases, only 1 other party submitted a contract proposal. The Contracts Branch Chief told us that he could not recall an instance where an existing concessioner entitled to a renewal preference did not have its contract renewed if it wanted to continue operating. In 1975 we reported that NPS did not receive any response from other parties on 11 contracts that were up for renewal in 1974 or on the fact sheets that were issued in connection with contract renewals from July 1, 1972, to December 31, 1974. In all cases the existing concessioners were rated as operating satisfactorily and were awarded new contracts.

and award of the new contract. The Chief of the NPS Concessions Contract Branch told us that any business that had "done its homework" would not waste time submitting an offer under such circumstances.



At Mesa Verde, commercial tour vehicles are permitted to proceed to a certain point within the park without charge; however, to proceed to the park's main attraction--the

review--Mesa Verde, Yosemite, and Yellowstone. This situation existed at three of the seven parks in our ment. The difference in cost is passed on to the passengers. For the use of its vehicle--known as a "trip-lease" agree- person and the concessioner reimburses the tour operator is required to pay the concessioner a specified fee per commercial tour operator chooses to use its own vehicle, it park or to reach the park's main attractions. If the or the concessioner's transportation services to tour the have the option of either using their own bus equipment arrangement commercial tour operators entering the park all commercial transportation within the park. Under this session contracts authorize preferential rights to provide to certain visitors at some parks. At certain parks, con- transportation services have resulted in additional costs Preferential rights to provide intrapark commercial

PREFERENTIAL RIGHTS CAN RESULT IN ADDITIONAL COSTS TO VISITORS

to the public. which may result in deterioration of facilities and service possessor's interest--a time consuming and costly process terminate the concessioner's contract and purchase the problems. In these cases NPS' only alternative may be to than satisfactory service can cause NPS difficult management large possessor's interest concessioners which provide less in the park. As demonstrated at Yellowstone National Park, practically all of the concession facilities and services rights of first refusal one individual can own and operate number of independent concessioners, under preferential and the associated possessor's interest can be owned by a Rather than a situation where the facilities and services tially it major construction or improvement is necessary. concessioner's possessor's interest can be increased substan- denied the opportunity to operate in the park, but the con- additional services, not only are other interested parties As a concessioner exercises its option to provide new or

refusal if NPS decided that new or additional services were necessary. The Chief of NPS' Concessions Management Divi- sion said that because his office has been more aware of the negative aspects of allowing concessioners the right of first refusal, it has issued fewer contracts with this right in the past few years. He said, however, that most existing con- tracts probably contain this right.

We believe that preferential rights for contract renewal and for new and additional services are unnecessary and should be eliminated. In our view, competition usually encourages businesses to improve service and outweighs the claimed benefits of preferential rights and having one concessioner run park facilities. We believe established concessioners already have an advantage over others who want to compete for the right to operate in a park; they do not need

The right of preference for contract renewal and preferential rights for new and additional services continue to limit competition to operate concession facilities in national parks. Preferential rights for new and additional services also contribute to the buildup of large possessory interest concessioners. Preferential rights to provide intrapark transportation have resulted in additional costs to certain visitors at some park locations.

## CONCLUSIONS

We found similar situations at Yosemite and Yellowstone National Parks, where commercial tour operators are required to enter into a trip-lease agreement before entering the park. We believe that commercial tours originating outside the park should be permitted to proceed to the park's main attractions without paying the concessioner a fee. According to NPS, since 1976 its policy has been that preferential rights to provide commercial transportation apply only to transportation originating in the park.

The management assistant to the Mesa Verde Superintendent stated that tour members are charged the extra fee because the concessioner has the exclusive right to provide tours in the park. He said that this situation angers many visitors who do not want to pay for a tour and that it discriminates against visitors who use commercial transportation rather than their own automobiles to visit the park. The management assistant said that NPS will attempt to eliminate the preferential right for commercial transportation during contract renegotiations.

Indian ruins--the tour operators must enter into a trip-lease agreement with the concessioner. Under the agreement the tour operator pays the concessioner a fee of \$2.75 to \$4.00 per person depending on the number of passengers, and the concessioner pays the tour operator \$1.02 per mile traveled within the park. The concessioner's fee includes the services of a tour guide, but payment is required whether the passengers want a guide or not. NPS provides guide service free of charge at the Indian ruins.

We believe that these matters do not pose a serious problem to elimination of preferential renewal rights. In

NPS believes that it needs to study the effect that eliminating contract renewal rights would have on its policy of keeping the term of the contract as short as possible and on demanding compliance for facility improvement near the end of the contract period. (NPS informed us that facility improvement in this case refers primarily to facility maintenance but in some cases it could relate to capital improvements.)

#### Contract renewal

NPS stated that it was not prepared to take a position on our recommendation to eliminate the right of preference for contract renewal because it has to study the matter further. NPS disagreed with our recommendation to eliminate preferential rights for new and additional services.

#### AGENCY COMMENTS AND OUR RESPONSE

In the 1975 report, we recommended that the Congress consider amending the Concessions Policy Act to eliminate preferential renewal rights. We still believe that such action is needed and recommend that the Congress amend the Concessions Policy Act of 1965 to eliminate the right of preference for contract renewal. We also recommend that preferential rights for new and additional services be eliminated. We recognize that the intent of the Concessions Policy Act is to encourage continuity of concessions operations. However, we believe established concessioners already have a competitive advantage in seeking to continue to operate in the park. They do not need additional legal advantages. (See app. II for GAO's proposed amendments to the Concessions Policy Act of 1965.)

#### RECOMMENDATION TO THE CONGRESS

Established concessioners would usually be in a better position to evaluate what must be proposed to obtain the contract and to operate successfully in the park. Not only would an established concessioner usually be more familiar with NPS' policies and procedures, but having an established, ongoing business operation should be an advantage in gaining the right to continue or expand the operation. Also, satisfactory related business experience should be a primary consideration in determining the applicants' qualifications to operate in the park--another built-in advantage for the established concessioner.

NPS also stated that under its current procedures, before preferential rights for new and additional services

We question the need to offer and grant preferential rights for new and additional services in order to encourage private investments in the national parks. Concessions on Forest Service lands have made significant investments without being granted preferential rights. Existing NPS concessions could still compete with others to provide new or additional services and should usually be in a better position to gain the right to do so because they have an established, ongoing business operation in the park, are usually more familiar with park policies and procedures, and are in a better position to know what must be proposed to obtain contracts. Also, prior satisfactory experience as a concessioner could be a primary consideration in evaluating the existing concessioner's contract proposal.

NPS stated that preferential rights for new and additional services are highly compatible with the operation of national parks and the stated policy of the Congress to encourage private investment in the parks.

New and additional services

We question whether concessioners would refuse to adequately maintain their facilities near the end of the contract period because without guaranteed renewal rights concessioners would have more, rather than less, incentive to maintain facilities and provide satisfactory service. By maintaining facilities in satisfactory condition and providing good service throughout the contract period, concessioners would be in a better competitive position to gain a new contract to continue the operation when their current contracts expire. Also, failure by the concessioner to perform required facility maintenance could constitute grounds for unsatisfactory performance and contract termination. Normally major improvements or rehabilitation should not be necessary near the end of the contract period if the concessioner has adequately maintained the facilities.

regard to the length of the contract, NPS can grant concession contracts for periods up to 30 years under present law. Concessioners making large investments for permanent structures should, by contract, be given a reasonable time for amortization and depreciation of the facilities--up to 30 years, if necessary. On the other hand, concessioners that make relatively small investments or provide service type operations should have contracts for a much shorter period.

We believe that NPS' claim that preferential rights for new and additional services are necessary to combine potentially unprofitable services with those that are profitable is not a valid argument for retaining preferential rights. If the proposed service is potentially unprofitable, it is doubtful that there would be competition from third parties to provide the service and the existing concessioner may be the only party interested in providing it.

We agree that in some instances less warehouse and maintenance facilities may be needed and that the number of supply vehicles could perhaps be reduced. We doubt, however, that these factors outweigh the advantages gained by fostering competition and curtailing the buildup of large possessory interest by a concessioner. As discussed in the report, preferential rights effectively deny others the opportunity to compete for operating a business in the national parks. In our opinion, competition usually encourages improved services. Preferential rights can also result in the buildup of large possessory interest concessioner, which, as demonstrated at Yellowstone, have caused NPS significant management problems.

are granted, benefits must flow to the Government and a determination must be made that they are in the public interest. Benefits NPS cited are, less space needed for warehousing and maintenance facilities, reduction of necessary supply vehicles, and NPS' ability to combine potentially unprofitable services with those that are profitable.

We found unsafe hotel facilities at Yellowstone and an unsafe marina and horse trail ride at Gateway. Also, a hotel

Facilities operated with unsafe conditions

Following is a description of serious safety problems we noted at concession facilities at three of the parks in our review. (We plan to issue a more comprehensive report on health and safety at national parks and also the Department of Agriculture's national forests in the near future. In addition to concession facilities, that report will cover water and sanitation systems, tunnels, bridges, and employee dormitories.)

NPS allowed concessioners to operate facilities with major safety deficiencies without taking adequate steps to ensure the safety of park visitors and employees. NPS did not conduct all required safety inspections, did not always follow up inspections to assure corrective action, and had not properly trained its safety personnel.

VISITOR SAFETY NOT ASSURED

Although NPS' policy states that safeguarding human life takes precedence over all other park management activities, we found that NPS does not always assure that concessioner-operated facilities are safe and sanitary. NPS did not take adequate steps to ensure that critical health and safety deficiencies at concession operations were corrected. Many required safety and health inspections were not performed, and in many cases safety personnel were not properly trained.

One of NPS' prime objectives is to assure that concessioner operated facilities are safe, sanitary, and attractive, and provided at levels visitors would expect from the private sector operating outside the park. Concessions Evaluation Program is designed to assure that this objective is achieved. The program covers three areas--safety, health, and operational efficiency. This chapter discusses NPS' efforts to assure visitor safety and health. NPS' evaluation of other aspects of concessioner operations is discussed in chapter 5.

SAFE AND SANITARY CONCESSION FACILITIES

PARK VISITORS NOT ASSURED

CHAPTER 4

To determine if the deficiencies were as critical as the NPS inspection reports indicated, we hired two independent consultants--a certified fire marshal and a certified

never chosen to close a major facility like the Lake Hotel. have solved the existing problems. He said that he has as indicated. In his opinion, closing the hotel would not open because he did not believe some problems were as severe Superintendent told us that he allowed the hotel to remain corrected. As discussed on page 10, the NPS Yellowstone operating the facilities without having the deficiencies recommendations, NPS allowed the concessioner to continue Despite the severity of the problems and the report

--Improve the fire detection and alarm system as well as the electrical wiring.

--Provide proper fire exit corridors and stairs.

--Repair the hotel roof, fire sprinkler system, and building foundations.

In September 1978 NPS conducted a comprehensive inspection of the concession facilities at Yellowstone, including the Lake Hotel. The inspection team, made up of 60 professionals including engineers and architects, reported that the Lake Hotel had severe safety and structural deficiencies that impaired the welfare, safety, and basic comfort of park visitors and hotel employees. The team's report recommended that the hotel be closed until corrections were made to assure the safety and welfare of those using it. According to the report, immediate action was needed to:

At Yellowstone, concessioner hotels with capacity to house over 2,000 visitors and concessioner employees operated with deficiencies having the potential to cause fatalities or serious injuries. A 1974 fire and safety inspection of these facilities had revealed, among other things, a serious lack of pressure and water supply to the fire sprinkler system, the lack of stove surface protection devices, inadequate fire escapes, and sprinkler control valves that lacked tamperproof switches. Serious fire safety deficiencies continued to be identified during later safety inspections. NPS informed the concessioner of the deficiencies but did not take further action to have them corrected.

Yellowstone National Park

at Mammoth Cave was allowed to operate with serious safety deficiencies for 2-1/2 years before NPS forced it to close.

employees.

Although NPS took immediate action to improve safety at the hotels after we brought our concerns to its attention, we believe that NPS should have taken whatever action was necessary to have the deficiencies corrected when they were first identified. By allowing the hotels to operate for at least 4 years with serious deficiencies, NPS placed an unnecessary risk upon park visitors and concessioner

employees. The consultants found similar fire and safety deficiencies at the Old Faithful Inn, which also has the capacity to house over 1,000 visitors and concessioner employees. They concluded that the Old Faithful Inn was also unsafe for occupancy and that continued use could result in a tragedy. On September 13, 1979, we informed NPS, Rocky Mountain Regional Director of the consultants' findings and conclusions. He instructed the Yellowstone Superintendent to place two qualified protection personnel in the two hotels from 6:00 p.m. to 8:00 a.m. to augment detection and evacuation measures. The Regional Director told us that significant portions of NPS' 1980 and 1981 construction program funds will be spent to correct the longstanding deficiencies at the hotels. He said that NPS has been aware of these safety problems for 4 years and the concessioner's contract was canceled because of its inability or unwillingness to deal with them. We were told that the new interim concessioner will be required to perform significant amounts of maintenance and rehabilitation of the Yellowstone facilities.

The consultants, using uniform building and fire codes, confirmed that serious deficiencies existed in the hotels. They found, among other things, that the Lake Hotel had too few fire exits, dead end corridors exceeding the legal length, improper fire exit stairways, and fire corridors providing less than minimum fire resistance capabilities. The consultants also found a fault in the foundation that could cause the hotel to collapse. They stated that the Lake Hotel, which accommodates over 1,000 visitors and concession employees, was unsafe for occupancy and that its continued use "could result in a tragedy." They concluded that all areas of the Lake Hotel should be closed until a thorough engineering analysis of the problems is completed and recommended improvements are made.

fire marshal and building inspector--to inspect the Lake Hotel, as well as the Old Faithful Inn.



At Gateway NPS did not take appropriate action to have serious safety deficiencies corrected at a marina and a horse trail ride. During a safety inspection in May 1979, an NPS safety specialist identified 5 imminent dangers and 37 major deficiencies at the marina. For example, the fire alarm system was damaged and inoperative; electrical circuits were not grounded; parts of electrical equipment were not guarded against accidental contact; the gangway leading

### Gateway National Recreation Area

Although the hotel was finally closed, we do not believe that NPS should have allowed it to operate for at least 30 months after the serious deficiencies were identified without taking steps to have them corrected.

On June 17, 1977, the Southeast Regional Director ordered the concessioner that operated the facility to close the top floor of the hotel immediately, posted all-night security guards in the building, and ordered that a park ranger be in the hotel vicinity during the nighttime hours. The facility was permanently closed as of July 6, 1977.

Safety inspections conducted in March 1976 and March 1977 disclosed that serious hazards remained uncorrected and continued to threaten hotel guests and employees. In June 1977 an NPS safety officer inspected the hotel and again found severe safety deficiencies, including most of those described in previous safety reports. The safety officer recommended that the hotel annex be closed.

- inadequate ventilation in the furnace room,
- a "combustible" basement ceiling constructed of material that did not meet the required fire resistance rating,
- an inadequate fire alarm system, and
- the lack of a sprinkler system throughout the building.

NPS allowed the Mammoth Cave Hotel annex, which is a Government-owned facility, to operate with serious deficiencies for about 2-1/2 years before closing it down. A safety inspection conducted in January 1975 disclosed that the hotel annex had several serious fire and safety deficiencies, including

### Mammoth Cave National Park

On September 28, 1979, we discussed the marina's deficiencies with the Gateway Superintendent and the acting concession specialist and neither one knew if the deficiencies had been corrected. They said the imminent dangers at the marina were NPS' responsibility, not the concessioner's, because NPS had not corrected the problems before the present concessioner took over the operation in 1979. The Gateway Superintendent said the major safety problems at

On August 22, 1979, a safety consultant hired by NPS' North Atlantic Regional Office to inspect various concession facilities at Gateway, including the marina, found that three of the imminent dangers and nine of the major deficiencies still existed. He also noted an additional imminent danger involving unrestricted access to a power distribution panel and other energized circuits. The consultant recommended that the Gateway Superintendent disconnect electrical power, close off the area, and repair the fence and enclosure to the main power supply. The consultant told us that the Superintendent assured him that the problems would be corrected immediately. The consultant said the facilities should be closed if the problems were not corrected within 48 hours.

In June 1979, 3 weeks after the marina's deficiencies were identified, the Deputy Superintendent sent a letter to the concessioner detailing the imminent and major deficiencies and requesting immediate corrective action. The letter did not specify when the corrections had to be made or what NPS would do if they were not made. NPS did not make the required followup inspection to determine if the deficiencies had been corrected. Considering the seriousness of the deficiencies, a followup inspection was essential to assure that imminent dangers had been removed.

According to NPS' Concessioner Evaluation Program Manual, "imminent danger" deficiencies exist when fatalities, serious injuries, and/or multiple hospitalizations will occur if an operation is allowed to continue. The manual states that when imminent danger hazards are identified, the facility, or portion of the facility or specific operation, will be closed immediately and will remain closed until the hazard is removed. "Major deficiencies" are problems that have the potential to cause fatalities and serious injury if not corrected.

to the marina did not have adequate railings; and a large hole was in the ground outside the entrance to the concession facility, which constituted an immediate safety hazard.

In 1979 NPS did not complete all annual safety inspections of concession facilities at Yosemite and Mesa Verde. Additionally, the 1979 annual safety inspections of Gateway concession facilities were conducted late in the season when some concessioners were closing.

Required inspections not performed or untimely

NPS did not conduct necessary safety inspections or followup inspections to assure correction of identified problems. In some instances, even when followup inspections were made, deficiencies had not always been corrected or they recurred after corrections had been made. Also, NPS safety personnel were not adequately trained to carry out the inspections. Early detection and correction of safety deficiencies is essential to protect park visitors and NPS and concession employees, as well as the facilities.

Safety program not implemented effectively

The Gateway Superintendent told us that the debris along the trail had not been removed because of a dispute between the concessioner and NPS over who was responsible for maintaining the trail. We were told that NPS had now accepted the responsibility and will begin cleaning up the trail before the 1980 summer season. We believe that, regardless of who was responsible, when conditions were such that injuries could result, NPS should have acted immediately to make the trail safe for park visitors.

The concessioner-operated horse trail ride at Gateway also had serious safety hazards. The trail was littered with debris, wood paneling and boards, and abandoned cars at the time of our visits in July and October 1979. In April 1976 an accident involving an abandoned car occurred on the ride: a horse threw its rider onto the vehicle, causing multiple injuries to the rider.

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NPS North Atlantic Regional Office officials said that the marina should have been closed. We were told that it was not closed because of pressure from boat owners to keep it open. We believe that the safety of visitors to the marina should have been the primary consideration in determining if it should remain open.

The marina primarily involve two old wooden barges and that NPS plans to have them removed before the 1980 summer season.

At Gateway most of the 1979 annual safety inspections were scheduled for May but were not conducted until the week of August 20. According to the Acting Regional Director of the North Atlantic Regional Office, the inspections were delayed because the region was involved with other concession matters which precluded them from doing the inspections.

NPS cannot be sure that visitors are adequately protected against safety hazards while using concessioner facilities unless the annual comprehensive safety inspections are made. Also, without the inspections, NPS does not have an adequate basis for assigning an annual safety rating, a primary factor in determining if a concessioner had operated satisfactorily during the year. The Chief of NPS' Safety Management Division agreed that it is critical that all concession facilities have an annual safety inspection in accordance with the safety program requirements.

We found that none of the required annual safety inspections were made at Mesa Verde in 1979. NPS' Rocky Mountain Regional Office safety inspector, who is responsible for conducting the Mesa Verde annual inspections, told us that the facilities were not inspected because travel funds were not available to make the inspection trip. He said that Mesa Verde inspections were not critical because the concessioner had not had serious safety problems in previous years. However, a review of the 1978 inspection reports showed that serious safety problems had been identified and corrected during the year. Deficiencies noted during the inspections included blocked fire exits, no emergency lighting, circuit breakers taped open, and numerous problems with electrical wiring and outlets.

At Yosemite only 27 of the largest concessioner's 86 facilities had an annual safety inspection in 1978. In 1979 only 32 of the 86 facilities were inspected. The Yosemite safety officer told us that there are too many concessions for him to inspect effectively and that additional staff is needed to assist him.

NPS' safety program requires that at least once annually, but not later than September 30, qualified safety personnel are to conduct a comprehensive safety inspection of each concession facility. Based on this inspection and followup inspections, each concessioner is given a satisfactory, marginal, or unsatisfactory annual safety rating. A concessioner cannot receive a satisfactory overall annual operational rating if its safety rating is unsatisfactory. An unsatisfactory operational rating can lead to termination of a concessioner's contract or permit.

At both Yosemite and Gateway, park officials told us that followup inspections were not made because there was

At Yosemite no followup safety inspections were conducted in 1978, and as of September 1979, no followups had been made to determine if deficiencies noted during 1979 safety inspections had been corrected. Deficiencies noted during the 1978 inspection were again identified during the 1979 annual inspection. Required followups were also not conducted for some concession facilities at Gateway in 1978 and 1979.

The NPS safety program requires that upon completion of each annual safety inspection, appropriate corrections, including deadlines for completing them, be established for each deficiency. The park superintendent or a designee is responsible for ensuring that deficiencies are corrected in a timely manner through followup inspections.

Followup inspections were not always conducted at Yosemite and Gateway to determine if deficiencies identified during annual safety inspections had been corrected. Also, up inspections were made, deficiencies were not always corrected or they recurred after corrections were made.

#### Correction of deficiencies not assured

Although the inspections were made within the time frame established by NPS, we believe that the September 30 date may be unrealistic for seasonal operations. If inspections are not conducted before late September, visitors can be exposed to safety hazards during most of the operating season. In cases like Gateway, some concessioners could be closed for the season before being informed about the need to correct deficiencies. The Chief of NPS' Safety Management Division told us that September 30 is the standard reporting date for management purposes but that initial safety inspections should be conducted early in the operating season so that any deficiencies can be corrected.

Because of this delay, Gateway officials did not have the results of the safety inspections until mid-September. By that time, five of Gateway's concessioners had closed for the 1979 season. The Gateway Superintendent told us that, although the late safety inspections precluded followups in some cases, concessioners would not be allowed to open in 1980 unless all 1979 deficiencies had been corrected.

The Yellowstone safety officer is responsible for assigning the annual safety ratings based on inspections conducted during the operating season. The safety officer was an NPS law enforcement park ranger for 20 years before becoming the Yellowstone safety officer in 1974. According to NPS records, he had no training or background in safety prior to that time. The safety officer told us that if he recognizes a problem that he believes should be examined further, he will ask for assistance from the NPS civil engineers, head electrician, or other experts in the park.

The NPS safety program was also hampered by a lack of trained personnel conducting safety inspections. According to the Chief of NPS' Safety Management Division, the lack of technical expertise of park and regional safety personnel impairs NPS' ability to conduct effective safety inspections. NPS safety personnel assigned to Yellowstone, Mesa Verde, Mammoth Cave, and Fort Sumner had not been sufficiently trained to conduct safety inspections.

#### Lack of trained safety personnel

According to the Chief of the NPS Safety Management Division, safety deficiencies recur and followups were not made mainly because park management has not sufficiently emphasized safety in the national parks.

We also noted that deficiencies recur at Yellowstone and Mt. McKinley even though followup safety inspections were conducted. At Yellowstone the concessioner did not repair items considered too costly or unnecessary.

Even when followup inspections were conducted at Gateway, deficiencies had not always been corrected. Of nine Gateway concessioners, six had the same deficiencies in 1979 that had been identified in previous years. For example, a 1978 safety inspection at one facility identified 36 deficiencies; followup inspections indicated that all except 1 had been corrected. However, the 1979 safety inspection of the facility showed that 19 of the deficiencies identified in the previous year had recurred. The Gateway safety specialist said deficiencies recur because NPS does not use its enforcement authority to close down concessions when safety deficiencies are not corrected.

confusion about who was responsible for following up--the safety specialist or the concession specialist. We were told that in the future the safety specialist will have responsibility for followup inspections.

Improvements are needed in NPS' health program to assure that the public is adequately protected against unsanitary and unhealthy food service operations when visiting national parks. Required health inspections and followup inspections to assure that deficiencies had been corrected were not always made, and deficiencies recurred after corrections had been made. Also, at Gateway Unsanitary Food facilities were allowed to remain open after a qualified sanitarian recommended that they be closed.

PUBLIC HEALTH NOT ALWAYS PROTECTED

The Chief of NPS' Safety Management Division said that the credibility of NPS safety inspections in the past has been questionable because of the lack of trained safety personnel. He said that NPS definitely needs more trained safety people to perform the required inspections. He also stated that many of the Division's safety personnel are former park rangers who lack the necessary technical expertise to conduct effective inspections. The Division Chief told us that NPS is beginning to hire qualified safety personnel and has developed a safety training course to provide additional training to safety personnel. He said that NPS also plans to establish task forces of safety and engineering experts to conduct thorough safety inspections at certain parks. Both projects will begin in 1980 according to the Division Chief. These steps should help improve the quality of NPS safety inspections.

The Mesa Verde comprehensive annual safety inspections are conducted by the Rocky Mountain regional safety officer. However, a Mesa Verde park ranger-management assistant assists the regional safety officer in conducting the annual inspections, and followup inspections are made by park rangers or the management assistant. The NPS management assistant told us that he has had only very basic formal training in safety and sporadic on-the-job training. Park rangers normally receive only limited safety training.

At Mammoth Cave and Fort Sumner, park rangers are responsible for conducting safety inspections. Both rangers had only limited safety training and did not have engineering backgrounds. Occasionally, the ranger at Mammoth Cave was assisted by Kentucky's State or local safety inspectors. At Ft. Sumner the Coast Guard inspected the concessioner's boats; NPS inspected passenger loading and unloading facilities and operations and made sure that the Coast Guard inspections were made.

Most required health inspections not conducted at Gateway

According to the NPS concession evaluation program, food service facilities are to be inspected at least quarterly for year-round operations and at least twice during the operating period for seasonal operations. All health inspections are to be made by a Public Health Service representative or an NPS, State, or local sanitarian. Followup inspections are to be made to verify that deficiencies were corrected. The facilities are rated as follows:

<u>Equivalent</u>	<u>Overall</u>
<u>rating</u>	<u>rating score</u>
Satisfactory	85-100
Marginal	75-84
Unsatisfactory	74 or below

When a facility's score is less than 75, a comprehensive reinspection is to be conducted within 30 days, or as otherwise specified in the inspection report, by a qualified sanitarian to determine whether violations have been corrected. When the score is 75 or above, a followup inspection is to be made as soon as possible following a specified period. These followups can be performed by a qualified sanitarian or an NPS representative designated by the park superintendent.

At Gateway none of the food concessioners received the required number of health inspections in 1979. No more than one inspection was made of any food establishment. The Gateway Superintendent told us that NPS could not secure a qualified sanitarian to perform the additional health inspections required in 1979. The sanitarian who conducted the initial inspections was from NPS' National Capital Region and was not available.

In addition, we noted that two concessioners that received unsatisfactory rating scores on initial inspections in 1979 were not reinspected by a qualified sanitarian, as NPS' health program requires. One concessioner was rated unsatisfactory because of a heavy infestation of flies and roaches in the food preparation and service areas, an unlabeled detergent container on the service counter, dirty equipment, wiping cloth not stored in sanitizing agent, and food stored at improper temperatures. The other concessioner was rated unsatisfactory because of improper food storage temperatures, dirty floors and equipment, no sanitizing of utensils, heavy infestation of flies, and fluorescent lamps not properly shielded.



We believe it imperative that all national park areas secure the services of a qualified sanitarian to conduct the required health inspections and followup inspections on unsatisfactory concessioners to assure that health deficiencies are corrected to protect the public's health.

Followup health inspections not conducted at Yosemite

In our review of health inspection records at Yosemite, we found very little documentation to show that followups were performed when facilities were found to be unsatisfactory. For example, in August 1979 the sanitarian noted serious problems at a food market with the preparation, cooking, display, and sale of chicken and the warming of prepared sandwiches. The NPS sanitarian assigned to the park called the operation a "classic example of how to cause a food borne illness outbreak" and stated that it was an unacceptable risk and would not be tolerated.

Although the sanitarian told us he completed a followup inspection about 5 days later and found the operation satisfactory, we could find no documentation of the rein-spection. The sanitarian said that he does not have time to concentrate on followup inspections and that he does not do all of them. He agreed, however, that followups are necessary to assure that health deficiencies are corrected.

Facilities with recurring health deficiencies should be better controlled

Even when required health inspections and followups were made, we noted that at certain facilities health deficiencies recurred year after year. Some of the recurring deficiencies were critical, others were less serious but still diminished the overall sanitation level of the facilities. We found this situation at certain facilities at Gateway, Yosemite, Mt. McKinley, and Yellowstone.

For example, during a 1977 health inspection of a dining facility at Mt. McKinley, NPS found inadequate food protection procedures, unclean kitchenware and food contact surfaces, and improper sanitation procedures. The same deficiencies were identified again during 1978 and 1979 inspections. According to the Chief of the Concessions Division, Pacific Northwest Region, followup inspections were not always considered adequate because park personnel who conduct the followup inspections are not properly trained to identify sanitation problems.

The environmental sanitation consultant hired by NPS to conduct the health inspections advised that the facilities "be closed until such time as the buildings can be

During a 1977 health inspection, major health deficiencies were identified at 10 of 11 Rits Park food service facilities. Some of the deficiencies were NPS' responsibility and others were the concessioner's. NPS was responsible for leaking roofs, cracked walls and ceilings, and major plumbing problems. The concessioner was responsible for problems relating to the cleanliness of the facilities, including dirty equipment, counter tops, floors, and walls and the prevalence of flies.

Food service facilities at Gateway's Rits Park routinely received unsatisfactory health ratings during 1977 and 1978, but NPS did not take adequate steps to protect the public's health.

Unsanitary food service operation at Gateway

We question whether concession facilities that continually seem unable or unwilling to serve the public food under healthy and sanitary conditions should be allowed to operate in national parks. Visitors to the parks depend upon NPS to assure they are protected against unhealthy conditions, and in all likelihood assume that NPS has done its job. Visitors generally have no way of knowing that the food they are eating may have been prepared under unsanitary conditions.

We also found instances of recurring deficiencies at Gateway and Yosemite. At Yosemite NPS had closed a facility to require the concessioner to correct unsanitary conditions. However, the conditions recurred after the facility reopened.

Our review of the health inspections at Yellowstone during the 1976-78 operating seasons showed that a number of health deficiencies recurred year after year, even though followup inspections were made. The inspection reports showed that unsafe food temperatures; dirty equipment; inadequate washing facilities for utensils; the presence of flies and mice; and dirty floors, walls, and ceilings continually recurred during this period even though deficiencies were corrected as they were identified. However, conditions improved during the 1979 operating season. The NPS sanitarian told us that the quality of the food service at Yellowstone improved significantly in 1979 because the concessioner hired a full-time sanitarian to monitor food operations.

improved to permit the conduct of food preparation and service activities in a sanitary environment." In responding to the consultant's suggestion, the NPS North Atlantic Regional Director acknowledged the severity of the health deficiencies but stated that closing the facilities during the summer months was not a reasonable alternative. He said that the major deficiencies could only be overcome after extensive improvements by NPS. Consequently, the facilities were allowed to remain open during the 1977 season.

During the 1978 operating season, the same deficiencies continued to plague the facilities. The sanitation consultant stated that food was being prepared and served under extremely poor sanitary conditions and that a plan to improve the conditions should be developed and implemented at the earliest practical time. He said that continual roof leakage and backup of floor drains were an imminent public health hazard at two of the facilities. However, despite the poor conditions, NPS did little to have the problems corrected.

In a March 1979 letter to the Gateway Superintendent, the environmental sanitation consultant again expressed serious concern about the public health problems at Rits Park. He said that the condition of the facilities prohibits the sanitary preparation of foods for park visitors, and that a public health hazard exists if the facilities are used for that purpose. Subsequently, NPS made some improvements to the Rits Park facilities and a new concessioner took over the concession.

In July 1979 the sanitation consultant reinspected the Rits Park facilities and found them significantly improved since 1978. He indicated that the improvements were due to NPS' efforts to upgrade the facilities and improvements made by the concessioner. However, the facilities still did not comply with all public health requirements because of dirty walls and ceiling, litter around the buildings, dirty equipment, and peeling and flaking paint.

Gateway's Superintendent told us he realized that Rits Park had health problems but that conditions improved greatly in 1979 over previous years. He said the buildings were old and needed major repairs, some of which would be made before the 1980 season. It was his opinion that the health problems noted during 1979 were due largely to the fact that the concessioner was new and did not have enough

NPS should perform all required health and safety inspections and followups in a timely manner to assure that deficiencies have been corrected and should allow only trained personnel to make inspections. Additional health inspections should be made of facilities that continually operate under unsanitary conditions, and health inspection results of these facilities should be posted so that visitors are aware of them. NPS should assure that qualified

We believe that problems identified during our review will persist until NPS is willing to take whatever action is necessary to ensure that unsafe and unsanitary conditions are corrected, regardless of who is responsible for correcting them. Contracts should be terminated if concessioners refuse to correct deficiencies for which they are responsible and if they continually violate health and safety standards.

NPS did not always take appropriate action to assure concession facilities are safe and sanitary for the park visitor and NPS and concession employees. The condition of some facilities was such that they represented serious hazards to the park visitor.

CONCLUSIONS

We believe that the public's health should be paramount in determining if an unsanitary food concession should be permitted to operate.

The NPS Chief Environmental Sanitation Officer told us that he was aware of the poor sanitation conditions at the Rits Park facilities and agreed that allowing the facilities to operate under such conditions was questionable. The environmental sanitation consultant told us that some Rits Park facilities should have been closed in 1977 and 1978 not only for sanitation reasons but also to show the concessioner that NPS expected it to run a sanitary operation. The Gateway Superintendent told us that the facilities were not closed because large crowds use them. He said that many of the health deficiencies were inherited from New York City when it transferred the facilities to NPS in 1974. The Superintendent believed that the concessioner would be unduly penalized if the facilities were closed.

The Superintendent believes that the concessioner will improve its time to prepare fully for the 1979 season. The Superintendent during the 1980 season.

sanitarians are always available to conduct health inspections and that all safety personnel are properly trained to identify safety deficiencies.

RECOMMENDATIONS TO THE  
SECRETARY OF THE INTERIOR

The Secretary of the Interior should require the NPS Director to:

--Take action to ensure that park visitors and NPS and concession employees are adequately protected against health and safety deficiencies at concession operations. Contracts of concessioners that habitually violate health and safety standards should be terminated. The policy for terminating concession contracts under such circumstances should be incorporated into NPS regulations.

--Ensure that all required health and safety inspections are conducted in a timely manner and that followups are made to assure that deficiencies have been corrected.

--Require that comprehensive annual safety inspections be conducted early in the operating season so that visitors and employees are not exposed to deficiencies during most of the operating season.

--Conduct additional health inspections on concession facilities that continually operate under unsanitary conditions and post the inspection results at the facility so that visitors can be aware of its condition. If these measures do not improve conditions, the concessioner's contract or permit should be terminated.

--See that NPS safety personnel receive the training necessary to identify safety deficiencies.

--Ensure that a qualified sanitarian is available to conduct required health inspections at concession facilities.

AGENCY COMMENTS AND OUR RESPONSE

Concerning our recommendation that NPS take immediate action to adequately protect the public and NPS and concessioner employees against health and safety deficiencies, NPS

NPS also stated that in September 1979 it started a nationwide survey to determine the safety situation in all major concession facilities but that surveys were completed at only eight parks because travel fund limitations forced a halt in the project. NPS said it plans to resume these surveys in October 1980. According to NPS, it has taken measures at Yellowstone and Glacier National Parks to correct the most severe deficiencies and is proceeding to correct deficiencies at the eight parks it surveyed. We believe that NPS' nationwide survey was extremely important and question whether a travel fund limitation was a valid reason to halt the project. NPS should have given top priority to this project and should have transferred or taken other steps to obtain funds to continue the survey without interruption.

We believe NPS has not done enough to protect the public against health and safety deficiencies at concession facilities. NPS has closed certain concession facilities for health and safety reasons. But we found that other facilities were allowed to continue operating for long periods of time with imminent dangers and other serious deficiencies without NPS taking adequate action to have the deficiencies corrected. We agree with NPS that its guidelines should be improved to give better guidance on closing facilities. When the health and safety of the public is threatened, superintendents should not have the discretion of allowing such conditions to continue; they should be required to take immediate action to have the conditions corrected to the point of closing the facilities or service or terminating the contract if necessary. We also recognize that many concession facilities were built when less stringent building and safety codes were in effect, but this is not a valid reason for NPS to allow unsafe or unhealthy conditions to exist without adequately protecting the public.

stated that its superintendents have always followed recommendations to close facilities "if an imminent health hazard exists." According to NPS, the difficulty occurs when there are a number of deficiencies but an imminent hazard does not exist. NPS said that superintendents must make a management decision that recognizes and accepts the risk of staying open. NPS said it plans to evaluate existing guidelines to determine how they can be improved to give better guidance on closing facilities. NPS stated that it has closed 28 facilities in the last 5 years for periods ranging from 2 hours to 2 years and that contracts have been terminated for unsatisfactory safety or sanitary conditions. NPS said that many concession facilities were built in another era according to different codes and that making historically compatible corrections often is tedious and expensive.

In regard to our recommendation to ensure that all health and safety inspections are conducted, NPS agreed that it is not adequately staffed at the field level with well-trained safety and sanitation experts. NPS stated that it intends to determine the additional staffing needed to perform the necessary inspections and to explore further the use of seasonal or contract personnel, in addition to full-time permanent employees, to conduct the inspections. After NPS makes these determinations, it should take steps to acquire the additional staff needed so that all required inspections can be performed.

NPS agreed with our recommendation to conduct annual safety inspections early in the year and stated that every effort will be made in the future to schedule them early. NPS said that priority will be given to inspecting concessions which, because of the previous season's performance or potential for deficiencies, are the most likely to have problems.

NPS believes that our recommendation to conduct additional health inspections on concessions that continually operate under unsanitary conditions may accomplish some improvements but that the long-term effect will be negligible. NPS stated that before long-term benefits can be achieved, concessions management must recognize the deficiencies and institute corrective measures. NPS also said that posting health inspection rating scores at the facility would have limited meaning to the general public.

We disagree with NPS' position. Our recommendation is directed to the most blatant and chronic offenders of sanitation standards. We view our recommended actions as good interim steps to have such concessioners follow sanitation standards and demonstrate that they can run a satisfactory operation. If they cannot make such demonstrations, their contracts should be terminated and inspections should continue to be made during the termination process. These measures, of course, should not be taken if the deficiencies that caused the facilities to be unsatisfactory are the Government's responsibility. In that case NPS should take immediate action to correct the problem. Also, we agree that the posting of numerical health scores would have limited meaning to the public; however, the rating can easily be converted to an equivalent rating of "satisfactory," "marginal," or "unsatisfactory." We believe an "unsatisfactory" rating would have meaning to the public and should be posted conspicuously at the concession facility so that the public can make an informed decision when deciding whether or not to eat at the facility.

In regard to our reference to the Lake Hotel, General Host said that after NPS raised questions in the spring of 1979, it had an employee--a registered engineer--inspect the condition of the hotel. According to General Host, the engineer concluded that the Lake Hotel was a "sound" structure with no inherent structural deficiencies. The engineer's conclusions are not supported by findings of the

We disagree that General Host corrected potentially serious safety hazards as they were identified. Our review of various NPS safety inspection reports prepared during the 1975-79 period showed that serious safety deficiencies existed for a number of years without adequate corrective action. Moreover, our expert consultants found that serious safety deficiencies still existed at the time of their inspection in August 1979. During the course of our review, a General Host-YPC official told us that cosmetic and minor rehabilitation work was completed first and that funds were usually depleted before major repair work could be started.

In commenting on the safety aspects of its Yellowstone operations, General Host stated that it was particularly concerned with our statements about the safety of the facilities it operated. General Host said that our statements were based primarily on outdated and inaccurate NPS reports. General Host said that when such reports were received from NPS, corrective action was taken on a priority basis. General Host also stated that it subjected its facilities to periodic engineering surveys by its insurance carriers and by its Director of Loss Control to ensure the safety of the facilities and that serious potential hazards were rectified as identified.

#### Yellowstone

#### CONCESSIONER COMMENTS AND OUR RESPONSE

In regard to our last recommendation on the need to have a qualified sanitarian available to conduct required health inspections, NPS stated that it has improved its recruitment techniques so that an adequate number of candidates for seasonal sanitarian positions are identified for employment at all parks having such positions.

NPS agreed that its safety personnel need additional training to help identify safety deficiencies. According to NPS, it plans to increase the amount of safety training for its safety personnel, concession specialists, and personnel who have safety as a collateral duty, and it will provide periodic refresher training to these people.



We agree that health and safety deficiencies are likely to be identified during a health or safety inspection. Our point is that the same deficiencies were recurring after the concessioner was informed of the deficiencies and had taken steps to correct the problem. We believe that once a deficiency is identified the concessioner should not only correct the deficiency but take steps to ensure that it does not occur repeatedly.

In regard to our statements that health and safety deficiencies recurred after followup inspections were made, the concessioner stated that the safety statement would apply to any major facility, public or private, and that the statement on health would apply to any large busy kitchen.

Mt. McKinley

January 1979 report on the General Host Yellowstone facilities prepared by 60 NPS professionals, including engineers and architects. (See p. 8.) Nor did the August 1979 report of the consultants we hired to verify the safety conditions of the Lake Hotel agree with the General Host engineer. Based on their overall findings, our consultants concluded that the hotel was unsafe for occupancy. (See p. 26.)

Under the Concessioner Evaluation Program, NPS determines the concessioners' operational performance levels on a periodic and annual basis by comparing performance with established standards. The standards for each type of facility or service are composed of distinct elements classified according to their degree of importance to a visitor and/or employee's well being and enjoyment. The elements are classified A, major/first priority; B, second priority; and C, minor/third priority. For example, 39 standard elements are used to evaluate overnight accommodations; including 14 A, 18 B, and 7 C elements. The following is a description of a major or first priority element.

VISITOR COMMENTS NOT CONSIDERED  
IN EVALUATING CONCESSION OPERATIONS

Visitor comments--which can be a very effective measure of concessioner performance--are not solicited and considered in evaluating concession operations. Also, required evaluation inspections were not always performed and in some instances NPS did not follow up to assure deficiencies had been corrected. Implementation of the evaluation program was hindered because NPS personnel were not adequately trained to carry out the program requirements.

Visitor comments can be improved. Implementation can be improved. To overcome this problem, we recommended that the Secretary of the Interior develop and publish in the Federal Register standards for evaluating satisfactory concessioner performance. Subsequently, NPS developed and implemented in 1976 its Concessioner Evaluation Program. The program provides a systematic method for evaluating concessioner performance by comparing facilities and services against established standards. We believe the program and its implementation can be improved.

NPS' policy is to provide visitors with quality services at levels they would expect from the private sector operating outside national park areas. In our 1975 report on concessions management, we said that NPS did not have sufficient information to determine whether concessioners were performing satisfactorily; consequently, NPS was not always in a position to determine whether concessioners were entitled to preference when contracts were renewed or facilities or services expanded.

CONCESSIONER PERFORMANCE

NPS NEEDS TO IMPROVE ITS EVALUATION OF

CHAPTER 5

"Tub/Shower. Showers and bath tubs shall be clean, unspotted, reasonably free of stains, inside and out, and in good condition. Tubs and showers must be equipped with either a non-slip mat or constructed with non-skid surfaces or strips that are tightly secured, clean, and free of mildew and unturn."

Concessioner performance is to be compared to the standards periodically through a comprehensive inspection and followup of each facility or operation. These inspections are to be conducted quarterly for year-round operations and three times a year for seasonal operations. One inspection for seasonal operations and two for year-round operations can be eliminated if the concessioner's past performance has been at a high level. At the end of the year, the operational ratings for each facility or service are to be summarized and an average rating for the year computed. Based on these ratings and the results of the health and safety inspections, a concessioner's operation is rated "satisfactory," "marginal," or "unsatisfactory." When a concessioner's annual rating is unsatisfactory for a given year, or marginal for 2 consecutive years, that rating constitutes grounds for termination of the contract or permit and means that the concessioner is not entitled to a right of preference in the renewal of its contract or permit.

The evaluation program does not consider visitor opinions on concessioner services. In our view, visitor opinions would give NPS an additional, more complete and realistic measure of the acceptability level of concessioner facilities and services. Also, rather than periodic inspections that show only how well a concessioner performed on one particular day, visitor comments would allow evaluation of concessioners' performance over a continuous period of time.

Opinions on using visitor comments in assessing concession operations varied among the NPS concession specialists at the parks we visited. For example, one concession specialist told us that visitor comments were not needed because the evaluation program, if implemented effectively, tells NPS how visitors are being treated. However, another concession specialist said that visitor input could be a very important consideration in determining whether concessioners are providing satisfactory facilities and services. The Chief of NPS' Concessions Management Division said that he is opposed to a visitor feedback system and has never seriously considered developing one. He said that it would be difficult to develop an effective system of soliciting visitor comments and that such a system would be subject to a great deal of visitor bias. In his opinion, three or four

formal inspections are sufficient to determine how well a concession is operated. He believes an unsatisfactory operator cannot cover up inadequacies even if he is aware of the inspection beforehand.

We believe that a visitor feedback system can be designed to control visitor bias and provide objective data for NPS to use with the results of periodic inspections.

NPS concession management officials at headquarters and in the field offices were concerned about the difficulty and expense of establishing and administering a visitor feedback system that would provide useful information. Also, the Office of Management and Budget (OMB) is required under the Federal Reports Act to approve Federal questionnaires; NPS officials were concerned that obtaining OMB approval could be difficult.

We discussed the possibility of a visitor feedback system with the Associate Chief Scientist of NPS Science Information Division. This division is responsible for matters relating to standards, methods, and procedures for all aspects of scientific and technical information acquisition and analysis, including the collection and analysis of all visitor use statistics. The Associate Chief Scientist agreed that a visitor feedback system could be developed and said that OMB would probably approve a questionnaire to solicit visitor comments on concession operations within a short period of time. An analyst from OMB's Economic and Resources Division, which is responsible for approving Federal questionnaires, told us that approval normally takes from 3 to 4 weeks. In the Associate Chief Scientist's opinion, such a questionnaire should be relatively simple, given visitors as they leave the concession, and filled out on the spot to assure quality control.

Concessioners also believe that visitor opinions should be considered in evaluating their operations. In an October 7, 1978, letter to the NPS Director, the chairman of the board of the Conference of National Park Concessioners stated that public reaction to concession services should weigh heavily in concession evaluations. Also, the Stanford Research Institute (SRI), hired in 1976 by the Conference to study various concession management issues, recommended the use of visitor comments in evaluating concession services. SRI stated that evaluations should be based on scientific interviews of park visitors. It said that such an evaluation system would be easy to carry out and would supply basic data about park visitors in addition to their experience with concessioner services. SRI believes that

the best test of concessioner performance is the public's satisfaction and stated that an ongoing monitoring system, supplemented by NPS spot checks of the facilities, would be desirable.

We agree that visitor satisfaction is a good measure of a concessioner's performance and believe that the present NPS evaluation system would be more effective if it included comments from park visitors. Also, as discussed below, we believe an effective visitor feedback system could enable NPS to reduce the number of evaluation inspections now required and still effectively evaluate concession operations.

#### REQUIRED EVALUATION INSPECTIONS NOT ALWAYS CONDUCTED

During our review of NPS evaluation inspections conducted since 1977, we found that NPS did not conduct many of the required number of evaluation inspections at six of the seven parks visited. As a result, NPS cannot be fully assured that visitors are receiving satisfactory service and it does not have a firm basis for assigning concessioners their annual evaluation rating.

For example, at Yosemite, one of the most visited parks in the national park system, we reviewed NPS' 1977, 1978, and 1979 inspection records of the park's largest concessioner--the Yosemite Park and Curry Company (YPC). YPC has 86 concession operations in the park, consisting of 14 lodging facilities, 32 food service facilities, and 40 retail and recreational facilities. As of August 1979, NPS had completed only about 24 percent of the total required inspections on these facilities, even though two-thirds of the required 268 inspections should have been completed by that date. In 1978 NPS conducted only two inspections of each of YPC's year-round operations and only one inspection of its seasonal operations. NPS did not use the Concessioner Evaluation Program in 1977 because the procedures manual was not distributed to the park until just before the summer season. The Chief of Concessions Management at Yosemite told us that at that point in the year it was too late to implement the procedures.

The Chief of Concessions Management at Yosemite also told us that it is physically impossible for him to conduct all of the required inspections, particularly when considering his other concession management responsibilities. He said that almost 400 site visits are required in Yosemite each year, excluding followup inspections. He said that a seasonal worker is assigned to help him conduct the periodic

At Yellowstone and Gateway, we found that NPS did not always follow up on the deficiencies noted during the evaluation inspections to assure that they were corrected as required by the evaluation program. The NPS evaluation procedures require that noted deficiencies be corrected by the concessioner within a specified period of time. Normally, major deficiencies that cause or could cause significant impairment or moderate impairment--first or second priority deficiencies--to services essential to the well-being and enjoyment of visitors and/or employees must be corrected within 15 days. Less critical problems--third priority deficiencies--can be corrected before the next routine inspection. If major deficiencies have not been corrected by the specified period, the initial evaluation inspection

NOT ALWAYS ASSURED  
CORRECTION OF DEFICIENCIES

Unless the required inspections are conducted, such deficiencies may not be brought to concessioners' attention for corrective action and visitors' enjoyment of the park could be reduced. Concession specialists at both Yosemite and Yellowstone told us that even the required number of inspections did not provide an adequate basis for determining a major concessioner's performance and, to be effective, had to be supplemented with informal spot checks. The specialists told us that they used spot checks to become aware of conditions to look for during formal inspections. Yet, even at those parks the required number of inspections were not performed. We believe that if NPS had an effective visitor feedback system it could reduce the number of required inspections and still assure that concessioners provide acceptable service to the public.

--Insufficient trash containers to accommodate the needs of an area, resulting in trash littering facility area.

--Poor service to restaurant customers.

--Dirty floors, carpets and walls.

--Dirty restroom facilities.

Typical concession operating deficiencies noted on the inspection reports at the parks we visited included:

inspections in the summer, but that is not sufficient and there is no assurance that the seasonal worker inspects facilities properly.

Although in most cases NPS conducted followups to assure that deficiencies had been corrected, we believe that it must take steps to assure that all followup inspections, as well as all required periodic inspections, are performed. If

At Gateway, we found that followup inspections were not conducted within the time required by the program guidelines. For example, during evaluation inspections of two snackbars in July 1979, a number of major deficiencies were noted which could significantly or moderately affect visitor enjoyment. However, almost a month passed before NPS followed up to determine if the deficiencies had been corrected. The Gateway acting concession specialist told us that she was not aware that followup inspections for major deficiencies were required within 15 days.

--Shortage of servers, runners, and busers in cafeteria operation, resulting in slow service and delays to patrons.

--Radiators in one lodging room disconnected and sitting in the middle of the room.

--Several holes in the roof of dining room through which visitors could see light.

Deficiencies cited at Yellowstone but not followed up on to assure correction include:

At Yellowstone we found that the NPS concession management staff did not conduct followup inspections to check on deficiencies cited at 10 concessioner facilities in 1978. Of the deficiencies cited, 18 were categorized as capable of causing "significant impairment" of services to visitors and/or employees. Many other major deficiencies also were not followed up on within the required 15-day period. Unless followup inspections are made, NPS has no assurance until the next inspection that the deficiencies are corrected or that visitors' enjoyment is not impaired.

The evaluation manual also states that the superintendent may close or temporarily discontinue a concession operation, if warranted, pursuant to 36 CFR 2.6 (a), until the deficiency(s) is corrected. 36 CFR 2.6 (a) stipulates that all or part of a concession operation can be closed when necessary to protect the area or the safety and welfare of persons or property.

rating is to be downgraded. Such downgrading could affect the concessioner's overall annual rating.

At the parks visited, evaluation inspections were conducted by concession specialists, park rangers, or seasonal

procedures.

corrected, and did not properly apply program standards and operations, did not ensure that identified deficiencies were where the staff overlooked deficiencies in concessioner We believe that lack of training contributed to instances received very little training on implementing the program. we visited, the NPS staff responsible for the program had against the operational standards. At six of the seven parks reduced its ability to compare concessioner operations ment staff to implement the Concessioner Evaluation Program NPS' failure to adequately train its concessions manage-

INADEQUATELY TRAINED STAFF  
LIMITS NPS' ABILITY TO ASSURE  
SATISFACTORY SERVICE

NPS' Chief of Concessions Management told us that the parks have been instructed to submit for approval specific standards to cover operations not currently covered by the evaluation program. The standards are expected to be made part of the 1980 evaluation program.

In such cases, the guidelines state that the park should prepare draft standards, get input on them from the regional office, and submit them to the Concession Management Division in Washington to be finalized. The guidelines also provide general standards that can be applied to almost all concession operations. In our opinion, these standards should be applied in cases where specific standards have not yet been written. At Gateway, the concessions staff used the general standards as the basis for evaluating a concessioner-operated golf course and tennis courts.

At Yosemite we found that the concessions staff did not inspect certain concessioner operations because the evaluation program guidelines do not contain specific standards concerning them. These operations include a golf course, tennis courts, swimming pools, and a warehouse.

PROGRAM DOES NOT  
COVER ALL FACILITIES

these inspections are not performed, NPS does not have a good basis to assign annual concessioner performance ratings. Also, deficiencies noted during the evaluation inspections can significantly affect visitor enjoyment in the park and should be corrected within established deadlines.



employees. Most of the concession specialists and park rangers who conducted evaluation inspections had received only limited formal evaluation training--from 1 to 2 days--as part of concession management training courses conducted at NPS regional offices in 1978 and 1979. An NPS-wide evaluation training program had not been developed, and each region determined the amount of training to include in its concession courses. Seasonal employees received no formal training on how to evaluate concessioner performance.

We believe the lack of training contributed to inspectors' overlooking deficiencies while inspecting concession operations. For example, at Gateway the acting concession specialist and an NPS sanitarian on a joint inspection of food service operations, we noted that the acting concession specialist did not observe dirty conditions at several of the operations, including wet and dirty floors, chipping paint on the walls and ceiling, and that electrical wires stretched across floors created a serious safety hazard. Also, while inspecting a horse riding operation, the concession specialist did not evaluate the riding trails. We noted that the trails were unmarked and sometimes led to dead ends and swamplands or quagmires that are like quicksand.

At Gateway and Yosemite, the NPS evaluation inspectors did not assure that food and beverage concessioners complied with applicable Federal, State, and county liquor laws. The Yosemite staff did not have copies of the applicable laws or related regulations, and consequently did not evaluate concessioner performance in this area. At Gateway the acting concession specialist said she was unfamiliar with her specific responsibilities concerning liquor laws.

NPS concession management officials at both the Washington and field levels told us that NPS personnel have not been adequately trained to carry out the evaluation program and that additional training, and in some cases additional staff, is needed. The Chief of Concessions Management for NPS' Pacific Northwest Region told us that park personnel do not have the proper training, time, or inclination to carry out the policy and criteria for complete evaluations of concessioner operations. The Chief of Concessions Management at Yosemite agreed that additional training is needed. He added that because of the large number of concession facilities, there are too many required inspections for him and a seasonal worker to perform effectively.

Under its evaluation program, NPS cannot determine if concessioners are providing consistently satisfactory service to the public unless it conducts all required inspections and unless its personnel are properly trained. Once deficiencies are identified, NPS personnel must assure that they are corrected and must be willing to do whatever is necessary to require concessioners to correct noted problems. An effective evaluation program is needed not only to assure satisfactory service to the public, but to determine if the concessioners should be allowed to continue operating in the national parks.

NPS did not always perform the number of evaluation and followup inspections required by the program. Also, NPS personnel had not received sufficient training to properly carry out the program; we found instances where the staff overlooked obvious concession deficiencies.

Since 1975 NPS has developed a comprehensive program to evaluate concessioner performance periodically by comparing the concessioners' operations against established operational standards. However, we believe the program would be more effective if visitor opinions and comments were considered in appraising concessioner performance. Visitor opinions can be a very effective measure of how well concessioners serve the public. Visitor input could be a valuable supplement to NPS' Concessioner Evaluation Program and may enable NPS to reduce the number of evaluation inspections now required.

## CONCLUSIONS

The Chief of NPS' Concessions Management Division told us that the quality and quantity of concessions staffing has hampered NPS' ability to effectively implement the evaluation program. He said that in many cases staff do not have the ability to effectively carry out the evaluation program or deal with the concessioners. He said that at many parks the concession specialist deals with concessioners and managers of concession facilities who are much more experienced and qualified to deal with concession issues than the NPS specialist. He stated that NPS has difficulty hiring and keeping experienced people because they can make more money and have better advancement opportunities working in the private sector.

RECOMMENDATIONS TO THE  
SECRETARY OF THE INTERIOR

The Secretary of the Interior should require the NPS Director to:

--Develop and implement as part of the Concessioner Evaluation Program procedures to obtain visitor comments and opinions on the quality of concession facilities and services. Comments should be considered in determining if concessioners are performing satisfactorily.

--Assure that evaluation inspections and followups required by the Concessioner Evaluation Program are carried out and provide additional staff where necessary. When an effective system of obtaining and considering visitor comments has been established, consideration should be given to reducing the number of inspections now required.

--Develop a training program to instruct NPS personnel to implement effectively the Concessioner Evaluation Program.

AGENCY COMMENTS AND OUR RESPONSE

Regarding our recommendation on visitor comments, NPS stated that it has formed a task force to review in depth the Concessioner Evaluation Program including the feasibility of incorporating public comments into the program. NPS said that its analysis will include both the cost of implementing and maintaining the program and the benefits which would be derived from it. As discussed in the report, we believe that visitor comments can be a very effective way to evaluate concessioner performance and may allow NPS to reduce the number of evaluation inspections now required.

NPS stated that its concession evaluation task force will also study a means to provide a better control mechanism to assure that necessary inspections and follow-ups are completed. According to NPS, it also plans to determine the number of full-time and seasonal personnel required to do necessary concession inspections, followups, and monitoring of the program and the funds needed to support this function. After this task is completed, NPS will need to take steps to meet the identified needs.

With regard to our recommendation to develop a training program on effective implementation of the evaluation program, NPS stated that in February 1980 it started an intensive training program and that the program will be continued in the future.

The Concessions Policy Act of 1965 established the basis for NPS to regulate concessioners' rates and charges to the public. The act provides that the reasonableness of rates charged the public by a concessioner shall be judged primarily by comparison with rates charged for similar services and facilities outside the park. In approving rates, the Secretary of the Interior is to consider such factors as the length of season, peakloads, occupancy, availability, cost of labor and materials, type of patronage, and other factors the Secretary deems significant.

In our 1975 report, we pointed out that NPS had not effectively monitored and evaluated concessioner prices to ensure that they are reasonable and in accordance with the Concessions Policy Act of 1965. We found that NPS price studies were not made in sufficient detail and did not consider such factors as length of the tourist season, peakloads, occupancy rates, and labor and material costs. We recommended that NPS develop and publish in the Federal Register guidelines for approving concessioner prices that include criteria for evaluating various factors that affect the rates charged.

Since 1975 NPS has developed a comprehensive rate evaluation system. However, the system has not been implemented nationwide and NPS has identified certain problems with the system that may require a major or complete revision. With few exceptions, NPS personnel were using interim guidelines to approve concessioner rates instead of the new rate approval procedures that were to have been fully implemented in 1979. Based on our limited review of the NPS interim rate approval procedures and some test checks of concessioner rates compared to rates for similar services outside the park, it appears that NPS did not always assure that the public was charged reasonable prices in the national parks. NPS' new rate approval procedures had not been implemented to the extent that enabled us to properly evaluate them. However, we believe the procedures have prevented in addition to those identified by NPS, which may prevent NPS from assuring reasonable rates in the future. We noted that the procedures do not address all concessioner services; we question whether quality is adequately addressed;

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RATES CHARGED THE PUBLIC ARE REASONABLE

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NPS LACKS A SYSTEM TO ASSURE THAT

At Yellowstone, for example, a concession specialist told us that in approving 1979 lodging rates he used the results of a 1977 rate comparability study of 89 hotels, motels, and resort properties that were adjusted in the fall of 1978 to reflect current prices. He said that some of the facilities were eliminated from the list because they were no longer considered comparable and that the remaining facilities were categorized as luxury, standard, and budget

Under the interim guidelines, rates were not always fully studied and justified before approval and the quality of concessioner facilities and services was not adequately considered. These problems existed in varying degrees at five of the seven parks we visited.

Before implementing the new system, NPS had been using interim concessioner pricing guidelines that were issued to its field offices in December 1977. The interim guidelines are based on guidelines that NPS distributed unofficially to the parks some years ago, and they were supposed to be similar to the rate approval practice generally used in the field. The interim guidelines were to be used to create consistency in approving concessioner rates until the new procedures were issued. However, the interim guidelines are very general and do not provide specific procedures for approving rates. For example, they require rates to be based on comparable rates charged outside the park but do not explain how to select the comparables. Consequently, each park developed its own way of implementing the interim guidelines, resulting in a great deal of inconsistency. The Chief of Concessions at NPS' Western Regional Office told us that under the interim guidelines NPS was unable to determine whether adequate procedures were being used to ensure fair and reasonable rates.

At the time of our review, NPS' rate approval process was in a period of transition. NPS had developed detailed guidelines and procedures to approve concessioner rates that were to have been implemented in 1979. However, because the parks did not receive the new procedures until after most of the 1979 rates were approved or the studies nearly completed, the procedures were used only on a limited basis.

REASONABLE RATES NOT ASSURED  
BY INTERIM APPROVAL PROCEDURES

and NPS personnel have not been adequately trained to approve rates.

In a memorandum commenting on NPS' new rate approval system, a concessions analyst for the Rocky Mountain Region stated that the average accommodations in the western parks were old, outmoded structures that would not qualify for a

The Chief of Concessions at Yellowstone said that, in his opinion, the lodging rates in Yellowstone are not out of line with rates charged outside the park. He maintained that when considering the park clientele, their mood and frame of mind, and all of the unquantifiable benefits of staying in the park, the concessioner prices were not too high. However, the interim guidelines under which the 1979 rates were approved state that the attraction value of the park itself, which visitors already own by virtue of their citizenship, should not be considered in approving rates.

The average rate charged for the lodgings in our spot checks was about \$28 for double occupancy. In our opinion, the 19 facilities we visited were of similar quality as the deluxe/luxury facilities costing about \$36 a night inside the park and were significantly higher quality than the standard accommodations in the park that cost about \$27 a night. Based on our limited analysis, we question whether the lodging prices at Yellowstone were fair and reasonable.

Since we were not able to analyze the basis NPS used to set the 1979 lodging rates, we made a limited rate study using NPS' list of comparable facilities outside the park. We selected 19 lodging facilities from 6 communities in areas close to the park boundaries. The facilities selected charged approximately the same range of rates as the park. All of these facilities were rated above average or better by the Mobile Travel Guide which considers the quality of facilities and services offered guests as the prime factor in determining acceptability. The Yellowstone lodging facilities were listed in the Mobile Travel Guide but were not rated.

to match the Yellowstone facilities. The concession specialist said he then determined where the Yellowstone concessioner prices should fall within the range for each group and forwarded his recommendations and the concessioner's request for rate increases to the Superintendent for approval. The 1977 adjusted comparability study was the only document available to support that an analysis of the 1979 rates had been made. In fact, neither the concession specialist nor the Superintendent's office could provide documentation to show that the 1979 rate increases were formally requested by the concessioner or approved by the Superintendent.

We believe that these problems occurred because the interim rate approval guidelines were too general and did not provide a consistent method of approving rates. The guidelines did not assure that rates are equally viewed, studied, and justified and--probably the most important factor in approving rates--quality of facilities, goods, and services was given little or no consideration. Although NPS planned to use its comprehensive rate approval system to approve 1980 rates, it may be substantially revised before 1981 rates are approved, as discussed below.

--Food quality was not adequately evaluated in the rate approval process at Mesa Verde. Although the rates charged were comparable to rates charged outside the park, based on our observations and discussions with a number of park visitors, the overall quality of the food was lower. The management assistant to the Superintendent told us that food quality is given little consideration in approving the food rates at Mesa Verde.

--At Gateway rate increases at a number of facilities were approved in 1979 without the benefit of any type of comparability study or analysis. Also, concessioners added products and increased rates during the operating season without NPS approval.

The rate approval problems we found at Yellowstone were not unique. Following are some of the problems we identified at other parks in our review.

The Chief of Concessions Management for the Rocky Mountain Region told us that in the past rates were often approved in the region without considering differences in quality between facilities in and outside the park. He said that rates were set primarily by comparing the costs of staying at the facilities.

The Chief of Concessions Management for the Rocky Mountain Region told us that in the past rates were often approved in the region without considering differences in quality between facilities in and outside the park. He said that rates were set primarily by comparing the costs of staying at the facilities.

The concessioner can sell its product, regardless of quality, at almost any price. He also said that it has been his observation that park facilities and services are usually priced higher but often are lower in quality than those outside the park.

He said, however, that the public demand for in-park accommodations and food service is high enough that the concessioner can sell its product, regardless of quality, at almost any price. He also said that it has been his observation that park facilities and services are usually priced higher but often are lower in quality than those outside the park.

recommendation from a national travel service such as AAA or Mobile. He said, however, that the public demand for in-park accommodations and food service is high enough that the concessioner can sell its product, regardless of quality, at almost any price. He also said that it has been his observation that park facilities and services are usually priced higher but often are lower in quality than those outside the park.



Although NPS planned to use its new rate approval procedures to approve 1980 concession rates, the system may be revised or completely changed before approval of 1981 rates. On January 2, 1980, NPS established a task force to develop solutions to a number of problems affecting implementation of the procedures. Problems include:

--The procedures require too much time and money to implement.

--Park employees lack an overall understanding of the system, and too much training is required.

--Rate approval requires too much judgment.

--The rate evaluator can easily overlook a problem rather than confront the concessioner.

--Rate approval is not given emphasis as a high-priority item for park management.

PROBLEMS WITH NEW PROCEDURES  
NPS task force to review

The objective of NPS' new concessioner comparability study procedures is to assure that concession rates and charges to the public are in line with the level of services and facilities provided and are reasonable and comparable with similar facilities and services provided by the private sector. The selection of comparable facilities is the cornerstone of the rate approval process and the subsequent assurance that concessioner rates are reasonable. The rate approval procedures were developed by a consulting firm, which did not fully field test the procedures before they were accepted by NPS.

The procedures were to have been used for the first time to review concessioner requests for rate increases for the 1979 operating season. However, because most parks did not receive the new procedures until after most 1979 rates had been approved or the rate studies were well under way, the new procedures were rarely used to review and approve 1979 rates. Now NPS has identified problems with the procedures and may not use them to review and approve rates beyond 1980. We also identified problems with the procedures which could reduce NPS' ability to assure fair and reasonable rates.

PROBLEMS WITH NEW RATE REVIEW  
AND APPROVAL PROCEDURES

Many concessioner-provided services are not covered by NPS' new rate approval procedures. According to the concessioner comparability study procedures manual, about 85 percent of the services offered by concessioners in the national park system can be approved by using the detailed procedures in the manual. The manual explains that the other 15 percent of concessioner services are to be evaluated on the basis previously used to approve rates--the interim guidelines--until specific procedures are developed. For example, at Yosemite rates charged at the ice skating rink, horse riding stables, ski area, bicycle rental shop, and mountaineering school would continue to be approved under the interim guidelines. To date NPS has not taken any action to develop specific procedures for all services. We believe that NPS should provide its personnel specific procedures or guidance for approving rates for all types of concessioner services.

Procedures do not address  
all concession services

We believe that the concerns NPS has raised about the concessioner comparability study procedures and their implementation are valid and agree that a task force should resolve the problems and change the procedures, as necessary. However, as discussed below, we identified other problems with the procedures that should also be dealt with by the task force.

A concessions analyst at NPS headquarters told us that the task force will review these problems in three phases. During the first phase, various alternatives to overcome the identified problems will be developed and assessed. Potential alternatives include restructuring the new procedures, formulating a regional office team approach to approving rates, and implementing the new procedures without change. Phase II will entail a detailed field review and assessment of the alternatives developed during phase I. Phase III will be the selection of the most viable alternative to approving rates and development of details for implementing them. NPS expects phase III to be completed before 1981 rates are approved.

--Superintendents are concerned with the political impact of holding down rates under the system.

We believe that the quality of the concessioner's facility or service should be a primary consideration in determining whether the rates charged are reasonable. In our view, when park visitors pay about the same rates inside the park

A similar situation exists in the way rates are approved for concessioner lodging facilities. For example, if all other factors are about equal, a lodge in the park that has a conference room but does not have individual showers or baths could be considered equal to a lodge outside the park that has individual showers or baths but not a conference room. Consequently, the concessioner would be permitted to charge approximately the same rate as the lodge outside the park.

Also, we noted that the rate approval procedures do not require that the grade of meat served be considered in determining rate comparability, even though taste, quality, and costs can vary widely by meat grade.

For example, in evaluating a full service restaurant, 39 factors are considered in arriving at the rates a concessioner should be allowed to charge. Most of the factors are given equal or greater consideration than quality. The various factors are divided into eight operational categories and rated 1 (below average), 2 (average), or 3 (above average). An average is then developed for each category to ascertain an overall score for the concessioner and the comparable restaurants. Based on the overall scores, NPS determines approximate rates the concessioner should be permitted to charge. Under this procedure, food quality is not given more weight than less important factors, such as whether restroom walls are free of graffiti. As a result, a concessioner that serves lower quality food than a restaurant outside the park could be allowed to charge the same rates by being superior in another operational factor.

One of the problems we identified under the interim rate approval procedures was that the quality of concessioner provided facilities and services was not adequately considered. We found that concessioners were allowed to charge rates comparable to those charged outside the park even though their services were substantially lower in quality. The new pricing procedures identify quality as a factor to consider in approving concessioner rates. But the procedures provide for so many factors that quality seems to lose its importance.

Quality not adequately considered



and services was given little or no consideration in approving rates. Under the guidelines, NPS did not always assure that the rates charged the public were fair and reasonable.

NPS' new Concessions Comparability Study Procedures had not been implemented to an extent that allowed us to evaluate them adequately. The procedures do provide an organized, systematic method of approving concessioner rates that NPS has not had in the past. However, NPS has identified certain problems that will result if the system is implemented and has established a task force to develop alternatives to resolve them which could lead to major changes or elimination of the procedures. After a limited review of the procedures, we also identified certain problems that would reduce NPS' ability to assure fair and reasonable concessioner rates. We found that the procedures do not address all concessioner services and that quality of facilities and services is not adequately considered. Also, NPS personnel have not been adequately trained to use the new approval procedures.

We agree with NPS' decision to establish the task force to resolve the problems it has identified with the concessioner comparability study procedures. However, because of the additional problems we identified with the procedures, we believe a more comprehensive study should be made. The task force should also consider the problems we identified and solicit views of the various NPS field offices that have used the procedures.

RECOMMENDATIONS TO THE SECRETARY OF THE INTERIOR

We recommend that the Secretary direct the NPS Director to:

- Expand the responsibilities of the task force established to develop alternatives to resolve the problems NPS has identified with the concessioner comparability study procedures. The task force should be instructed to evaluate the new approval procedures more comprehensively. The task force study should examine the problems we identified with the procedures and solicit the views of the NPS field offices that have used the new procedures.
- Provide adequate training to its personnel responsible for implementing concessioner rate approval procedures.

General Host stated that most of the Yellowstone facilities operated for only a 3-month period, remained closed for 9 months, and then had to be reopened for the next season.

General Host did not provide us with documentation to support that it lodging rates were comparable to those charged for similar lodging outside the park. Moreover, we do not agree that General Host provided a high level of service to its guests. A 1976 NPS study of General Host's Yellowstone operations found that the lodging facilities in the park were poorly decorated, furnished, and equipped; poorly cleaned; and merely tolerated by the typical park visitor. General Host made some improvements in 1977 and 1979, but we found no evidence that conditions had substantially improved since the 1976 study.

In commenting on the rates it charged for lodging facilities at Yellowstone, General Host said that it believes its rates were comparable to or lower than the rates charged for similar facilities outside the park, and that it always provided a high level of service to its guests, assuring them of clean rooms and substantial amenities.

#### Yellowstone

#### CONCESSIONER COMMENTS AND OUR RESPONSE

In regard to our recommendation to provide NPS personnel adequate training to implement rate approval procedures, NPS stated that it initiated a comprehensive training program in February 1980 to provide its field staff with specific rate approval training and that the program will be repeated periodically. We agree with NPS' decision to implement an ongoing training program. However, the training program will have to be revised based on the rate approval system currently being developed by NPS' rates task force.

NPS stated that its task force to develop alternatives to resolve the problems NPS identified with the concessioner comparability study procedures is now gathering comments from all areas of NPS to fully assess alternatives. According to NPS, our recommendations and conclusions will be provided to the task force to explore. NPS intends to have a new system in use by January 1981 and stated that it will be more easily understood and used by its field personnel and will provide assurance of more reasonable rates.

#### AGENCY COMMENTS AND OUR RESPONSE

As stated in the report the management assistant to the Mesa Verde Superintendent told us that he gave little consideration to food quality in approving the concessioner's food rates. In conducting our review we found that the quality of concessioner facilities and service was not given adequate consideration by NPS under either its interim rate approval procedures or the new rate approval procedures. Also, under NPS' evaluation system the quality of food is not actually addressed. Standard No. III relates to such things as the availability of food listed on the menu, whether food is served at appropriate temperatures, and whether it is attractively

In commenting on NPS' evaluation of food quality at Mesa Verde, the concessioner stated that the quality of food is evaluated continually by NPS both in approving rates and in evaluating concession operations. The concessioner said that food quality is basically a subjective judgment and ultimately can be best measured by visitor response. The concessioner questioned the qualifications of GAO auditors to make the determination that the quality of food at Mesa Verde was lower than that of comparable facilities outside the park.

#### Mesa Verde

General Host also stated that since facilities were quite remote, it had to bear considerable additional costs, such as employee housing and laundry service, not generally associated with such an operation. Although General Host may have incurred additional costs to operate its facilities, these costs could be substantially offset by the benefits of operating in the park. General Host did not have to pay yearly property taxes nor did it have to buy or lease the land on which its facilities were located. NPS maintained the parking lots and provided free snow removal service. The comparable lodging facilities in our study had to bear such costs, and in addition most of the facilities had a television in each room and some offered a swimming pool--amenities not provided by the concessioner. In addition, General Host's employees were charged a lodging fee which also helped offset the concessioner's costs.

Our review of the opening and closing dates of the Yellowstone lodging facilities did not show that most of the lodging facilities operated for only a 3-month period. We found that the operating season ranged from 3 months to all year, with the average being over 4 months. One of Yellowstone's largest lodging facilities, the Old Faithful Inn, which can house close to 1000 visitors, was open about 6 months a year.

arranged on the plate. Our opinion relating to the food quality at Mesa Verde is based primarily on discussions with a number of park visitors and supported by our personal observations.



NPS has incorporated franchise fee renegotiation procedures in its standard language contract that appear adequate. However, renegotiation will continue to be a problem under existing contracts that do not contain the new provision. It will be a number of years before many of these

During our current review, we found that very little had changed since 1975 in regard to franchise fees. Our 1975 recommendations had not been implemented. The franchise fee rate structure, which is based on a formula developed in 1965, does not assure that rates charged reflect the value of the privileges granted under concession contracts, and NPS spends a great deal of time determining what the rates should be. In 1978 the average franchise fee rate was less than 2 percent. Also NPS personnel who set the rates generally did not have the financial backgrounds and experience to facilitate financial analysis of concession operations. NPS plans to hire a consulting firm to develop a new system; but unless NPS personnel can properly apply the system, the rate setting will not be greatly improved.

To resolve these problems, we recommended that NPS restudy the franchise fee rate structure, develop guidelines to help evaluate pertinent economic factors, and develop procedures for waiver of franchise fees. We also recommended that NPS (1) reemphasize the need to provide adequate documentation for the rates charged when they differ from the rates set by the formula and (2) revise the concession contract renegotiation provisions to provide an equitable means to settle disputes.

The Concessions Policy Act of 1965 authorizes NPS to charge concessioners a franchise fee based on the value of the privileges granted under their contracts. In our 1975 report, we stated that we could not evaluate the basis NPS used to establish its franchise fee formula structure to determine if it was proper because essential supporting data was not available. We found that NPS did not adequately justify the rates charged and had not established criteria to help evaluate pertinent economic factors that may warrant changes in the established formula rate. Also, NPS did not have an effective contract provision to resolve disputes arising during redetermination of the franchise fee rate.

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NEEDS REVISION

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FRANCHISE FEE RATE STRUCTURE

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CHAPTER 7

contracts expire and the new provisions are added to the contracts.

NPS FRANCHISE FEE RATE

STRUCTURE UNCHANGED SINCE 1965

The franchise fee provision of NPS concession contracts generally provides that the concessioner will pay a franchise fee based on a percentage of gross receipts as well as a charge for Government-owned facilities used by the concessioner. NPS' franchise fee rate structure is based on a formula NPS developed in 1965. The structure has not been analyzed since that time to see if it still reflects the value of privileges granted concessioners under their contracts. NPS officials believe the structure needs to be changed and plan to develop a new system.

Under the formula method, NPS separates concessioners' sales into four basic types of operations and applies a specific rate to an existing concessioner's past actual sales or a new concessioner's estimated future sales for each type of operation. The four basic types of concession operations and the rates applied to gross sales in each category are (1) food, lodging, and saddle horses--3/4 percent, (2) gasoline, transportation, and photographic supplies and services--3 percent, (3) souvenir and curio sales--5 percent, and (4) all other operations, including grocery stores and snack bars--1-1/2 percent. The formula rate is then determined by dividing the total amount of franchise fees by the total amount of gross sales for the period.

The following example demonstrates how NPS arrives at a formula rate of 1.33 percent for an existing concessioner providing service in all four categories of concession operations.

A financial analyst from NPS' Western Regional Office told us that because adequate guidance on "pertinent economic factors" has not been provided to NPS personnel, each region has developed its own criteria for determining appropriate franchise fee rates. He said that NPS' franchise fee formula is out of date. He stated that it was adequate when developed in 1965 but now has no relation to the value of the privileges concessioners are granted under their contracts. He believes that the formula must be updated or a new methodology created that relates franchise fees to the value of privileges granted concessioners. The Yosemite Chief of Concessions held the same opinion and said that,

NPS guidelines provide that the franchise fee rate charged a concessioner can be adjusted higher or lower if warranted by pertinent economic factors. However, as we reported in 1975, NPS had not developed criteria or guidance for its personnel to use in evaluating economic factors that may warrant increasing or decreasing the formula rate. Consequently, NPS personnel have to rely upon their own judgment in considering what impact economic factors should have on the rates and when to apply them. Factors which could affect concessioners' rates include net profit and rate of return on investment.

NPS could not provide data to support the rates established for each of the four basic types of operations. NPS has not analyzed these rates since 1965 to determine if they are still adequate.

Category	Average annual gross sales 1974-78	Formula rate	Amount of franchise fee
Food and lodging services	\$4,000	3/4	\$30,000
Transportation, service station	750	3	22,500
Souvenirs	275	5	13,750
All other sales	400	1-1/2	6,000
Total	\$5,425		\$72,250
Concessioner's formula rate: $\$72,250 \div \$5,425,000 = 1.33$			percent.

(000 omitted) (percent)

As we have stated, NPS did not establish criteria to assist its staff in evaluating economic factors that may warrant a change in the franchise fee rate. We found that when rates were adjusted, opinions often differed over what the rate should be. Also, NPS was spending a lot of time analyzing and discussing individual franchise fee rates. In fact, as the following example shows, even the NPS Director became involved in setting a concessioner's rate.

Rate determination inadequate and time consuming under current procedures

We agree with NPS' decision to develop a new franchise system. We believe that the system developed should be easily understood by concessioners and NPS personnel who set the rates. The system should be thoroughly supported and documented and include provisions for periodic review to assure that it continues to be valid. If the new system includes adjustment of individual rates based on pertinent economic factors, NPS should develop guidelines for its staff to use in making such adjustments.

NPS' draft proposal to seek a contractor to develop a viable franchise fee system, dated April 11, 1980, states that the present system is behind the state of the art and needs to be studied and compared to other franchise fee systems in the private and Federal sectors. It states that NPS does not have a system that "expresses franchise fees in a defendable manner." According to the draft proposal, by analyzing the current NPS franchise fee rate structure, franchise fee systems used by others, and other pertinent information, the consulting firm is to recommend and develop the best system for NPS.

NPS' Chief of the Concessions Management Division agreed that the current franchise fee structure is inadequate and that a new structure needs to be developed. He said that NPS plans to hire a consulting firm in mid-1980 to develop a franchise fee system that will reflect the value of privileges granted under concession contracts. In 1978 NPS collected about \$4.2 million in franchise fees from concessioners on gross receipts of about \$220 million. This represented an average franchise fee rate of less than 2 percent.

Without a realistic basis for setting rates, there will be many disputes between NPS and concessioners over what is an adequate fee but no way to resolve them.

The problems of determining rates under the current structure is illustrated by a case at Yosemite involving a concessioner that operates a photographic studio. Follow-

--May 1974--NPS granted the concessioner a reduction in its franchise fee rate from 5 percent to 1 percent. The rate was to return to 5 percent on October 1, 1978, unless a different rate was negotiated.

--July 1978--an analysis prepared by NPS' Concessions Management Division in Washington showed that the minimum rate charged the concessioner as of October 1, 1978, should be 4.74 percent.

--September 1978--the concessioner requested the rate not be returned to 5 percent.

--October 1978--based on an analysis prepared by the Yosemite Chief of Concessions, a 3.3-percent franchise fee rate was proposed to the concessioner.

--November 13, 1978--the Director of NPS' Western Region stated that in considering the concessioner's profit, the region could see no justification for reducing the rate below 5 percent.

--November 27, 1978--the concessioner met with the NPS Director, and the Director set the franchise fee rate at 2 percent for a 2-year period, which was later changed to a 1-year period.

The meeting between the concessioner and the Director took place without the knowledge of NPS concession management officials in the field and at headquarters. The owners were accompanied at the meeting by their attorney--a former NPS Director. According to the Director, the concessioner agreed to have the franchise fee rate remain at 1 percent based on its public service program in the park and its stock of limited edition photographic prints. The prints are sold to the public and when the supply is exhausted, the concessioner's gross receipts and profit margin may be affected. The Director said that he set the fee rate at 2 percent to judge its impact on the concessioner's service and profitability. He said that it was his intention to raise the fee to 5 percent if the concessioner was not adversely affected by the increase.

However, in an August 24, 1978, memorandum, the Yosemite Park Superintendent stated that the concessioner's "so-called

A September 1977 report entitled "Profitability and Operating Cost Benchmarks; Analysis of the Concessioner Annual Financial Report," prepared for NPS by a private consulting firm, identified the lack of financial experience in NPS' field offices. The report points out that of all the concessions management personnel at the nine NPS regional offices and headquarters, only four were accountants. It states that NPS personnel at the regional and park levels devote only a small amount of time to working with the financial aspects of a concession operation. According to the report, the average concession specialist spent only about 10 to 15 percent of the time working with the information from the concessioners' annual financial report. The report

Most NPS regional office personnel responsible for setting fee rates lacked financial backgrounds to facilitate financial analysis of concession operations. Without a financial background, staff members can have difficulty evaluating factors such as net income or return on investment that may warrant a higher or lower franchise fee.

BACKGROUND HINDERS RATE SETTING  
LACK OF STAFF WITH FINANCIAL

We believe that this case illustrates the need for NPS to develop a franchise fee rate system that is easily understood and applied by NPS personnel who set the rates. In developing a new system, we believe that the amount of subjective analysis required in setting the rates, which results in second guessing, should be kept to a minimum. A good franchise fee rate system should eliminate the need for the numerous analyses and many discussions that occurred in the Yosemite case, as well as other cases we noted, and should assure that concessioners' rates are fair and equitable.

The Chief of NPS' Concessions Management Division told us that the rate reverted to 5 percent in October 1979 and is expected to remain at that rate until the concessioner's contract expires on September 30, 1983.

public services" were developed voluntarily by the concessioner and many are designed to enhance and promote concessioner sales. He said that the programs by themselves do not warrant a reduced franchise fee rate. Also, as stated above, concessions management officials at headquarters and in the field believed that the concessioner was capable of paying a higher fee.

In the 1975 concessions management report, we pointed out that NPS contracts generally contain a provision that the franchise fees be evaluated every 5 years. However, the contracts did not provide a means for settling disputes over adjustments in the franchise fees. If the concessioner and NPS could not agree on the amount of the new fees, neither NPS nor the concessioner could require a change in the fees.

FRANCHISE FEE RENEGOTIATION  
PROVISION APPEARS ADEQUATE

A new system for setting franchise fee rates could provide much needed guidance and assistance to concession management personnel and help create a consistent NPS-wide approach. However, unless the system is easily understood and applied by the people responsible for setting rates, the overall improvement may be slight. NPS will need personnel with appropriate financial backgrounds and experience to administer whatever system it develops.

The Chief of the Finance Branch, NPS Concessions Management Division, told us that the situation in NPS' regional and park offices has not improved since 1977. He said that very few people in concessions management have the financial background needed to evaluate the financial aspects of concession operations. The Chief of NPS' Concessions Management Division agreed. He said that only a few concession specialists in the field have the type of background needed to effectively handle the financial and contracting aspects of concessions management.

Another 1977 study of concessions management operations made by NPS' Concessions Management Division reported that only one or perhaps two NPS regions made satisfactory analyses of concessioners' financial operations. The study, which covered all nine NPS regions, found that the regions' staff did not have financial backgrounds nor were they qualified to adequately review and follow through on analyses of concessioner financial reports. According to the report only the Western Region had concession specialists with accounting backgrounds.

points out that even though some qualified financial/accounting/management employees work in the regional and park concession management offices, they generally have "more pressing" activities to attend to.

Since 1975 NPS has incorporated procedures in its standard language contract and concessions manual for negotiating franchise fee rates after specified periods during the term of concession contracts. These procedures appear to be adequate for settling disputes that arise during periods of renegotiation. However, renegotiation of franchise fees will continue to be a problem under existing contracts that do not contain a provision for these procedures because concessioners can refuse to allow the franchise fee rate or charge for the use of Government-owned facilities to be increased. The new procedures will not apply to these concessioners until their contracts expire and new contracts that include these procedures are negotiated. As of March 1980 only 5 of NPS' 123 existing contracts contained the renegotiation provisions. Most of these contracts will expire between 1980 and 1984; however, many will not expire until the late 1980s and 1990s.

NPS' new renegotiation provisions provide that within 60 days after the end of each 5-year period of the contract, or as otherwise specified in the contract, either the concessioner or NPS can request in writing a reconsideration of the franchise fees. If an agreement cannot be reached on the adjustment within 120 days from the date of the request, the concessioner's position must be submitted in writing within 30 days to the Secretary to determine the appropriate fees. The concessioner may request that an advisory arbitration panel be established to recommend appropriate fees to the Secretary. The panel is to include one member selected by the Secretary, one selected by the concessioner, and a third selected by mutual agreement. The Secretary's written determination is final and binding upon both parties.

Although these procedures appear adequate, concessioners operating under contracts negotiated before the procedures were established can continue to refuse increases in the franchise fees as well as fees charged for the use of Government-owned buildings. For example, at Yosemite the Yosemite Park and Curry Company has refused NPS' request to raise its franchise fee from 0.75 percent to 1.75 percent and its building use fee from \$5,000 to \$19,899. The concessioner told NPS that it will not negotiate new fees until the park's general management plan is approved and a determination made as to what effect, if any, the plan's implementation will have on its profitability. In 1975 YPCC also refused to renegotiate its franchise fee rate, and we reported that correspondence in NPS' files indicated its unwillingness to promptly resolve franchise fee negotiation separate and apart from other considerations. Until YPCC's contract expires on September 30, 1996, NPS will not be in



a position to require an increase in the franchise fee rate or building use fee.

## CONCLUSIONS

NPS has made little improvement since 1975 in its method of setting franchise fee rates. It appears that the rate structure established in 1965 no longer relates to the privileges granted concessioners under their contracts. Criteria have not been developed to consider economic factors, such as an acceptable rate of return on gross sales and investment and on the relative importance of gross sale, net profit, and return on investment that may warrant a higher or lower franchise fee. Under its franchise fee structure, NPS cannot assure that the rates charged reflect the value of the contract to the concessioners, and NPS is spending a great deal of time determining what the rates should be. Also, NPS' field staff lacked individuals with the financial backgrounds needed to facilitate franchise fee rate determination.

NPS is taking steps to hire a consulting firm to develop the best approach for NPS to set franchise fee rates. We believe that the system developed should be easily understood and properly applied by NPS personnel who set the rates. If the new system provides for adjustment of individual rates based on economic factors, NPS should develop guidelines to assist its staff in making such adjustments. Also, NPS will have to provide its field offices with individuals that have the financial training and experience needed to understand and set franchise fee rates.

NPS' procedures for renegotiating franchise fee rates after specified periods during the term of the contract appear to be adequate. However, the procedures do not apply to existing contracts established before the new procedures were effective, and concessioners with these contracts could continue to refuse to negotiate new franchise fee provisions until their contracts expire. Most of the contracts will expire during 1980-84, but many others will not expire for a number of years.

## RECOMMENDATIONS TO THE SECRETARY OF THE INTERIOR

We recommend that the Secretary of the Interior require the NPS Director to:

NPS stated that it is in the process of contracting to update and revise its existing franchise fee system and that the contractor will be required to recommend the best system for NPS. The contractor's recommendation is to be based on a study of NPS' current franchise fee system, shopping centers, and other Government agencies. According to NPS, upon completion of the contractor's study, NPS will establish a task force to implement the final system, taking into consideration the recommendations in both our current report and our 1975 report.

We agree with NPS' decision to develop a new franchise fee system. However, we believe the contractor should consider our recommendation that the system be easily understood and subjective analysis be kept to a minimum before completion of its study. If the contractor is not made aware of the importance of developing such a system, it may recommend a good system but one that may be difficult for NPS personnel to implement, as has happened in the past.

NPS did not address our recommendation on the need to provide its field staff with individuals that have financial backgrounds and experience. We believe that such personnel will be necessary regardless of the type of system NPS develops.

AGENCY COMMENTS AND OUR RESPONSE

- Develop specific criteria and procedures to help concessions management staff make appropriate adjustments to franchise fee rates, if the new rate setting system allows adjustments rates based on pertinent economic factors.
- Take steps necessary to supply the concessions management field staff with individuals that have the financial background and experience needed to set equitable franchise fee rates and deal effectively with the other areas of concessions contracts.
- Develop a new franchise fee rate system that reflects the value of privileges granted under concession contracts. The new system should be easily understood with a minimum amount of subjective analysis required so that NPS concession personnel may apply it properly. The system should be thoroughly supported and documented. In the future, the system should be reviewed periodically to determine if changes are needed.

CONCESSIONER COMMENTS AND OUR RESPONSE

In commenting on the franchise fee rate determination for the photographic studio at Yosemite, the concessioner stated that the meeting it had with the Director on November 27, 1978, did not take place unknown to NPS concession management officials in the field and at headquarters. The concessioner stated that the Director indicated that he had been briefed on the matter by NPS' Chief of the Concessions Management Division prior to the meeting.

Contrary to what the Director may have told the concessioner, the Chief of NPS' Concessions Management Division informed us that the concessions management staff in the field and at headquarters were not aware of the Director's meeting with the concessioner until after it had occurred. He said that the Director modified the agreement he had made with the concessioner, from a 2-year period to a 1-year period, after discussing the matter with the concessions management staff and realizing the agreement should not have been made.

NPS NEEDS TO ASSURE CONCESSION

TRANSFERS ARE TO BEST QUALIFIED

NPS concession contracts generally provide that concessioners cannot transfer or assign their contracts without prior written approval by the Secretary of the Interior. In 1975 we reported that as a general rule NPS approved all transfers of existing concessions operations unless it could show good cause for denying approval. NPS had not established formal procedures for approving transfers of concession operations and did not have criteria for determining if concessioners had related business experience and financial position. We recommended that NPS develop and publish in the Federal Register procedures for concession transfers, including standards for judging satisfactory business experience and financial position.

Since 1975 NPS has finalized procedures regarding the sale, assignment, or encumbrance of concession contracts, permits, and assets and has published them in the Federal Register. However, it has not established criteria for its personnel to use in judging new concessioners' business experience or financial position. We found that the transfer procedures do not effectively control the sale or transfer of a concession operation and, in effect, allow the established concessioner to determine who is qualified to operate the facility or service.

TRANSFER PROCEDURES INEFFECTIVE

NPS procedures for the sale, assignment, or encumbrance of concession contracts, permits, and assets were finalized in the Federal Register on November 1, 1979 (36 CFR part 51-Regulations). These procedures are basically the same as NPS officials said they followed in 1975 and that were incorporated in the NPS concessions manual in March 1979. The procedures state that concession contracts and permits for operations may not be transferred, sold, or assigned, nor the assets encumbered in any manner without the written approval of the NPS Director. Before consummating any transfer, sale, or encumbrance of a controlling interest, the concessioner is required to request approval in writing and give NPS the following information:

1. All instruments proposed to implement the trans-  
action.

Moreover, while the procedures require that the concessioner provide NPS with a description of the management qualifications and financial background of the proposed buyer, NPS has not established criteria for its personnel to use in evaluating and determining satisfactory financial position or related business experience of a new concessioner. Such criteria are needed to assure that concession contracts are awarded only to concessioners that have the management and financial capability needed to successfully operate a concession in the national park system.

Although the obvious intent of the regulations is to give NPS control over the selection of new concessioners that want to gain the right to operate in the parks through a transfer arrangement, we found that the procedures have not had the desired effect. Normally, NPS does not become involved in a transaction until the buyer and seller have reached agreement. In effect, the concessioner, not NPS, decides who is qualified to operate the park concession. Even though NPS reviews the transaction after the old and new concessioners have reached agreement, NPS finds it difficult at that point to turn down the transfer. According to information provided by NPS' Concessions Management Division, a request for a contract transfer or sale has never been refused.

Among other things, the regulations state that the Director may choose not to approve a proposed sale, transfer, assignment, or encumbrance at his discretion or may place appropriate conditions on any approval to protect the public interest.

2. An opinion of counsel from the buyer to the effect that the proposed transaction is lawful under all applicable Federal and State laws.
3. A narrative description of the proposed transaction and the plans for conducting the operation.
4. A statement as to the existence of any litigation questioning the validity of the proposed transaction.
5. A description of the proposed buyer's management qualifications and financial background.
6. A statement as to whether the proposed sale constitutes a controlling interest in the operation.
7. Any other information the Director may require.

1/Excludes NPS' purchase of the concessioners' possessory interest at Yellowstone and Everglades National Parks.

The new concessioner was rated satisfactory in 1978. However, in 1979 NPS had problems with the concessioner over a number of deficiencies noted during a safety inspection and subsequent followups. The concession manager for NPS' Pacific Northwest Region told us that the new concessioner now wants to sell the operation. He said that the concessioner does not like the resort business or the

buyers' initial lack of knowledge. Before approving the sale in July 1978, NPS had expressed concern over the buyers' lack of any hospitality industry experience. However, in a May 31, 1978, memorandum, the Associate Regional Director for Management and Operations of NPS' Pacific Northwest Region stated that, with the buyers' commitment to work with a reputable consulting firm, the concession operation would receive the needed direction to sustain and improve visitor service, thereby offsetting the buyers' initial lack of knowledge.

At Olympic National Park a concessioner notified NPS on March 23, 1978, that an agreement had been reached in February 1978 to sell his concession lodging operation to another party subject to NPS approval. Subsequently, the buyers sold their farm in another state in order to purchase the concessioner's lodging facilities, moved to the park, and were working with the concessioner in anticipation of NPS approval of the sale. Although NPS notified the buyers that NPS approval was necessary in order to complete the sale, we believe that because the concessioner and the buyers had reached agreement on the sale, and the buyers had actually moved to the park before NPS' approval, NPS was put in a position where not approving the sale would have been very difficult.

In assessing NPS' transfer procedures, we reviewed 8 of the 29 1/ changes of ownership that had occurred since January 1, 1976. In seven of the eight transactions, NPS did not become involved in the transfer until after the concessioner and the buyer had reached agreement on the sale. The transfer of a concession operation at Olympic National Park, Washington, illustrates what can occur when NPS is not involved in the initial stages of a transfer.

Selection of qualified concessioner not assured

In one of the eight changes in ownership we reviewed, NPS issued a prospectus to seek parties interested in taking over the concession operation. NPS issued a prospectus because an Olympic National Park concessioner was operating at an unsatisfactory level and its contract was to be terminated. When a contract is terminated for unsatisfactory performance, NPS can seek parties to operate the concession without the existing concessioner's approval. In this case, NPS was involved early in the process and was able to find a qualified party to operate the facilities.

NPS' policy is to issue a prospectus when seeking a new operator to provide new facilities and services for the public. According to NPS' concessions manual, a prospectus may also be issued to secure a concessioner to replace an existing unsatisfactory concessioner or to replace a concessioner that no longer wants to operate in the park. A prospectus is used to publicly state NPS' needs in an attractive and informative way so that all interested parties will submit proposals to provide the needed facilities or services. To gain wide distribution, a press release is to be prepared for each prospectus, copies are to be sent to congressional delegations from the state(s) involved, and copies are to be sent to all parties that have previously expressed interest in operating a concession.

We believe that if NPS became involved early in the transfer process and assure selection of the best qualified parties by requiring concessioners that want to transfer their operation to solicit new concessioners through NPS. NPS procedures for seeking parties to operate new facilities and services can be used to seek parties to take over existing operations.

Qualified concessioners should be solicited through an NPS prospectus

We believe that if NPS became involved early in the transfer process and had firm criteria for judging satisfactory related business experience, it would be in a better position to assure that the best qualified concessioners are selected. It would also help avoid situations like the one we found at Olympic. As discussed below, we believe NPS should solicit parties interested in taking over the operations of concessioners who no longer want to operate in the park.

weather in the Pacific Northwest area. We were told that the concessioner has found an interested buyer but, if unable to sell it on its own, is willing to let NPS publicly solicit interested buyers.

The transfer at Olympic illustrates the advantages of seeking interested parties through an NPS prospectus. In 1977 the concessioner, which had been operating a lodge for over 20 years, received an unsatisfactory operational rating for the year based on various health and safety deficiencies as well as basic housekeeping problems. The facility had been operating at a marginally satisfactory level for a number of years. Rather than make necessary improvements to avoid termination of its contract, the concessioner decided to sell the operation. In December 1977 NPS issued a prospectus to solicit parties interested in purchasing the operation. Offers were received from four interested parties.

Based on its analysis of the offers, NPS determined that three parties did not meet the basic requirements of managerial experience and/or financial capability. NPS selected the party that had the best operational experience and financial capability. The Regional Director of the Pacific Northwest Region stated in a March 21, 1978, memo to the NPS Director that the party making the best offer showed a full understanding of the lodge's operational problems and presented a program to cope with them. He said that the individual selected was the operator of an outstanding resort complex and had an excellent reputation in the hospitality industry.

The buyer and seller reached an agreement in June 1978, and NPS issued the new concessioner a 15-year contract in December 1978. The concessioner operated the lodge under an interim agreement from June through December 1978. The Concession Manager for the Pacific Northwest Region told us that the new concessioner has worked out very well and has made a number of improvements to the facilities.

We believe that all proposed transfers of concession operations should be publicly announced through an NPS prospectus so that all interested parties have the opportunity to compete to operate a concession in a national park. In addition to the normal distribution, the prospectus could also be sent to parties identified by the concessioner. NPS could analyze the proposals of interested parties and give the concessioner the names of the parties best qualified. The concessioner could then negotiate the sale of its operation with these parties.

We believe that these procedures would give NPS more control over transfers of concession operations and assure they are transferred to qualified parties. It should also provide more opportunities for persons interested in



--Require concessioners to notify NPS when they no longer want to operate in the park and want to transfer their operation to a third party. NPS then should issue a prospectus to solicit parties

The Secretary of the Interior should require the NPS Director to:

RECOMMENDATIONS TO THE SECRETARY OF THE INTERIOR

We believe that NPS, not concessioners should determine the best qualified parties to operate in the national parks. NPS can more effectively control transfers of concession operations by soliciting, for the concessioner, qualified parties interested in taking over the concession operation. To assist its staff in determining parties best qualified to operate a concession, NPS should establish criteria for judging satisfactory business experience or financial position of such parties.

Since 1975 NPS has published in the Federal Register its procedures regarding the sale, assignment, or encumbrance of concession contracts, permits, and assets. The procedures do not, however, effectively control such transfers and, in effect, have allowed the concessioner to determine who is the best qualified to operate in a park. As a result the operations may not be transferred to the best qualified parties. Normally, NPS does not become involved in a transfer until after the buyer and seller have reached an agreement. At that point, it is difficult for NPS to deny the transfer.

CONCLUSIONS

The Chief of NPS' Concessions Management Division agreed that NPS does not adequately control transfers of concession operations. He also agreed that, under the current procedures, NPS is put in a position where it is difficult not to approve a transfer, because an agreement is usually reached on the sale before NPS becomes involved. He said that NPS should become involved in transfers at the earliest point possible and that an approach such as outlined above would give NPS better control over the transfer and selection of new concessioners.

operating a concession in the national park system and help existing concessioners find interested buyers qualified to take over the operations.

Under our recommendation we are not suggesting that NPS choose a specific successor to purchase an operation or that the existing concessioner be forced to arbitrate a

NPS said that our recommendation to select a buyer through a prospectus is valid. However, according to NPS, on existing contracts the process of issuing a prospectus would not always produce a buyer, since a satisfactory concessioner would not be bound to arbitrate a price or be obligated to proceed with the sale even after the Government selected a successor. NPS stated that this matter requires further study and that it plans to establish a task force this fall to develop a comprehensive policy on sales with accompanying guidelines to the field.

NPS stated that since its new regulations regarding the sale, assignment, or encumbrance of concession operations have only been in effect since November 1979, it has not been able to fully determine their impact on sales. NPS' new regulations outline basically the same procedures followed in 1975 to approve sales. As discussed in the report, we do not believe that these procedures give NPS adequate control over the selection of new concessioners and in effect allow concessioners, rather than NPS, to determine who is qualified to operate park concessions.

NPS agreed that its policies to control sales of concession operations have been ineffective in the past, and stated that a new sales policy should be established but it has been reluctant to do so because of a possible legislative change. However, to our knowledge legislation had not been introduced, at the time of the NPS reply, that would preclude NPS from changing its current policy and procedures regarding sales of concession operations.

#### AGENCY COMMENTS AND OUR RESPONSE

--Develop and publish in the Federal Register standards for evaluating satisfactory business experience and financial position of parties interested in operating a concession in the national parks.

interested in taking over the operation. In addition to the normal distribution, NPS should also send the prospectus to parties identified by the concessioner. Interested parties should send their proposals and qualifications to NPS. NPS should then determine the parties best qualified and give their names to the concessioner so that it can negotiate the transfer.

selling price. We are recommending that NPS and the existing concessioner identify through an NPS prospectus the parties interested in taking over the concession operation. NPS would then determine the qualified parties among those responding to the prospectus and so inform the concessioner. The concessioner would then be free to negotiate the sale with any of the parties, including those it had identified, if they are considered qualified by NPS. Ordinarily it would be to the concessioner's advantage to consider proposals from all qualified parties and not just those it identified.

In regard to our second recommendation, NPS did not specifically respond to the need to develop standards for evaluating satisfactory selected business experience and financial position of potential concessioners. As discussed above, NPS did state it plans to develop a comprehensive policy on sales with accompanying guidelines to the field. We believe that it is important that any guidelines developed include the standards we recommended that NPS develop.

In our 1975 review of NPS concessions management, we found that a large number of convention and group meetings were held during the peak operating season. During our current review, we found that NPS had established a policy and procedures to control convention and group use of concession facilities. The policy and procedures appear to have curtailed such use during the peak season.

NPS POLICY ON CONVENTION AND GROUP USE GENERALLY EFFECTIVE

During our current review, we found that NPS has established a policy to control convention and group use that appears to be working fairly well. NPS has also issued new guidelines on preparing and publishing negative declaration statements that appear adequate but were not followed at one park visited. We also noted that NPS had allowed a concessioner to act as a consultant to the NPS planning team preparing a park's general management plan. This gave the concessioner the opportunity to influence future planned operations in the park which could affect concession operations.

To overcome these problems, we recommended that NPS (1) develop and publish guidelines in the Federal Register discouraging conventions during the peak season and (2) add instructions to its environmental statement guidelines on preparing and publishing negative declaration statements on construction projects.

The Concessions Policy Act of 1965 limits concession facilities and services at national parks to those necessary and appropriate for public use and enjoyment and requires that they be consistent with preservation and conservation of the area. In our 1975 concessions report, we stated that NPS decides which concessions facilities and services it considers necessary and appropriate on a park-by-park basis. We reported, however, that NPS allowed concessioners to hold conventions and group meetings during peak operating seasons, which can interfere with the general public's use and enjoyment of the facilities. We also stated that NPS had not given its staff enough guidance on when to prepare and publicize negative declaration statements on the environmental impact of construction projects.

NPS SHOULD ASSURE THAT PARK ACTIVITIES ARE APPROPRIATE

NPS first issued guidelines to its field offices on the use of concession facilities for conventions and by groups in October 1975. These guidelines were revised in November 1976 and were incorporated in the NPS concessions manual. Generally, the guidelines state that the use of concession facilities for conventions, group meetings, and the like during seasons of heavy vacation travel should be discouraged. Conventions are not permitted if they interfere with general public use and enjoyment of the area. Conventions of overnight accommodations and related services must be confined to off-season periods and even then is limited to surplus accommodations.

The concessioner must notify the park superintendent at least 30 days in advance of all such proposed use of the concession facilities. The superintendent must decide within 1 week whether to allow the group to use the park. When the concessioner is unable to give NPS a 30-day notice, the superintendent may approve the request based on the information available to him at that time.

As shown on the following chart, 268 convention and group meetings were held at five of the seven park areas reviewed from January 1977 through September 1979. Ten were held during the peak season of June through Labor Day week. At the other two locations--Fort Sumter and Gateway--the concessioners are not involved with conventions and group meetings. In the 1975 report, we pointed out that of the 143 convention and group meetings held at seven park locations in 1974, 53 were held during the peak season.

Number of meetings held from Jan. 1, 1977 through Sept. 1979

National park area	1979	Peak season	Off season
Mammoth Cave	153	8	145
Mesa Verde	1	0	1
Mt. McKinley	2	1	1
Yellowstone	a/ 4	1	3
Yosemite	108	0	108
Total	268	10	258

Meetings held during Peak season Off season

a/Information provided by concessioner who did not maintain supporting documentation. NPS also did not maintain records of convention and group use of concession facilities at Yellowstone.

Of the 10 peak season meetings, only 4 involved overnight accommodations for periods of 1 to 11 days. The largest meeting was held at Mammoth Cave on June 1-3, 1977, and required lodging for 100 people. Peak season use other than overnight lodging involved the park's dining facilities. Based on our review of NPS' records concerning the peak season use and discussions with various NPS and concessioner officials, it appears that such use did not interfere with public enjoyment and use of the park or concessioner facilities.

At Yellowstone it was difficult to determine the number of convention and group meetings because NPS did not keep records relating to such use. Therefore, we could not determine with certainty if Yellowstone followed the NPS guidelines for convention and group use. The concessioner also could not provide us with specific documentation on convention and group use. We were told that all people attending a convention register as individuals and therefore lose group identity. The concessioner's convention and group use information was based on a search of its files and discussion with concessioner employees. We believe that NPS should keep adequate records to determine whether its policy is being followed.

For actions that normally would require an environmental statement, the guidelines state that a negative declaration may be published in the regional news media, or in the Federal Register if public interest is significant. They also state that a notice of negative declaration should be published if (1) in most cases the scope of the

The guidelines require that a notice of negative declaration be published in the Federal Register whenever a decision has been made not to prepare an environmental statement on an action that would normally require one. A notice of negative declaration is a news release, letter, or memorandum to notify the public and appropriate Federal, State, and local agencies of a proposed action. The statement includes information that briefly describes the nature of the proposed action, reasonable alternatives considered, and where NPS' analysis of the action is available for public review.

NPS issued its new environmental guidelines entitled "Environmental Assessments and Statements Guidelines NPS-12" in November 1976. The guidelines provide that through a written analysis, known as an environmental review, a determination is made about whether a proposed action will have a significant impact on the environment. If significant environmental impact will result, an environmental statement must be prepared. However, if there will not be a significant impact, the environmental review is concluded with a negative declaration. A negative declaration is a brief statement indicating that an environmental impact statement will not be prepared because no significant environmental impact will result from the proposed action.

In our 1975 report, we found that NPS' guidelines for preparing environmental impact statements did not include criteria to assist local park officials in deciding when to prepare and publicize a negative declaration statement on construction projects. A negative declaration is a brief statement indicating that an environmental impact statement will not be prepared because no significant environmental impact will result from the proposed action. In November 1976 NPS issued new guidelines to assist its staff in preparing notices of negative declaration. Based on our review of various projects at the seven parks, the guidelines appear to be adequate. However, at Yellowstone NPS did not always follow the established procedures.

GUIDELINES ON PREPARING NEGATIVE  
ENVIRONMENTAL STATEMENTS  
APPEAR ADEQUATE

We also noted two other projects at Mesa Verde where construction had not started but that had been approved. At the time of our review these projects had not been

Although these projects may not have a significant impact upon Yellowstone's environment, a thorough analysis should have been made to determine if an environmental statement was necessary or if the analysis could have been concluded with a negative declaration. Such an environmental review helps to avoid possible environmental impacts and assures compliance with the National Environmental Policy Act of 1969. The documents also provide evidence that NPS is complying with its own guidelines and the requirements of the act.

NPS did not analyze the remaining two projects, which were in Yellowstone, to determine the significance of the environmental impact. Therefore, neither an environmental statement nor a negative declaration was issued. One of the projects concerned upgrading of the park's telephone system. We were told by an NPS resource management specialist that although an environmental assessment had not been prepared, all of the research had been completed. He said that the Superintendent and the Rocky Mountain Region gave approval to begin the project based on this research. He stated that work had to start before the analysis was completed because the underground cable leading into the park had to be in place before the winter set in and there was no time for delay. The other Yellowstone project was the construction of a Youth Administration Conservation Corps Camp on the site of a previous campground.

We found that NPS followed its guidelines for preparing negative declaration statements at six of the seven park areas visited. We reviewed 28 proposed actions that came under the requirements of NPS' environmental guidelines. NPS determined that 26 of the projects would not affect the environment significantly and concluded its analysis with a negative declaration statement. Since the projects would not normally have required an environmental statement and public interest was not considered substantial, notices of negative declaration were not published in the Federal Register or regional news media.

action would reasonably require an environmental statement and (2) the impact has not been adequately addressed in an environmental statement or other environmental document for a general management plan or other enabling plan upon which the proposed action is based.



The current Mesa Verde Superintendent, who was not assigned to the park when the plan was developed, told us that it is understandable that NPS allowed the concessioner to act as a consultant to the planning team because he was knowledgeable about the park, had expertise, and was understandably concerned about its future. He said that he

In developing the general management plan for Mesa Verde, NPS used the park concessioner as a consultant throughout the planning process. The plan, which took more than 5 years to develop, was approved by NPS' Rocky Mountain Regional Director on May 17, 1979. Among other things, the plan provides that the concessioner may add 50 new lodging units to the existing operation in the park and expand the cafeteria.

In 1975 we reported that the draft of the Yosemite master plan was rejected in December 1974 by the NPS Director because it was found to be deficient in several aspects. The Director said that the plan was ambiguous in addressing the park's management objectives and failed to fully describe the environmental impact which could be expected from the plan's implementation. During our current review, the Yosemite Superintendent told us that the 1974 draft plan was also rejected because of excessive influence by the concessioner, YPC, in developing it. The chief operating officer for YPC told us that the company has adopted a policy of not volunteering information during NPS' planning process unless NPS specifically requests it because of the undue influence YPC was said to have in developing the 1974 plan. We found that YPC participation in the development of Yosemite's latest master plan has not yet been approved was limited to the same opportunity that is open to any member of the general public.

At Mesa Verde we found that NPS allowed a concessioner to participate actively in preparation of the park's general management plan. At the six other parks visited we found no evidence that park concessioners were given an opportunity to influence NPS during the planning process.

CONCESSIONER PARTICIPATION IN PARK PLANNING INAPPROPRIATE

assessed for environmental impacts. One project is a 50-room expansion of the existing concession lodge, and the other project is expansion of the existing cafeteria. We were told that an environmental assessment will be made for the two projects. We believe it should have been completed before the projects were approved.

Since 1975 NPS has established a policy to control convention and group use of concession facilities that appears to have been working fairly well. However, NPS did not keep adequate records of convention and group meetings at Yellowstone. Therefore, we had to rely on information provided by the concessioner in evaluating the effectiveness of the policy at Yellowstone. We believe that NPS should assure that concessioners do not allow convention or group meetings to interfere with the general public's use and enjoyment of the park. We also believe NPS should emphasize to its field offices the importance of adhering to established policy and keep adequate records of action taken on requests for convention and group use.

## CONCLUSIONS

We do not believe NPS should have allowed the concessioner to participate as a consultant in the planning process. Although we do not know what specific influence, if any, the concessioner may have had on the approved general management plan, it was given much more opportunity to influence the plan than the general public and special interest groups. Particularly questionable was the concessioner's participation in studying the type of visitor service and accommodations to be supplied and the best locations for them.

The team leader for developing the plan told us that the concessioner's role as a consultant was the same as a team member. He did not believe that the concessioner had "undue influence" during the planning process. The team leader said that the final decision to allow expansion of the concessioner's lodge and cafeteria was made by NPS and does not conflict with NPS objectives. He stated that much of the planning was influenced by the 1974 oil embargo; it seemed desirable to conserve energy by allowing visitors to stay in the park rather than making them drive 20 miles to the park's main attraction. NPS also wanted to allow visitors a 24-hour experience in the park. According to the team leader, the above reasons and increased visitor demand made expansion of the concessioner facilities seem appropriate.

Understands the current concern over providing a concessioner special interest groups and the general public, but in the mid-1970s when most of the actual planning took place, conflict of interest was not a big issue.

--Place renewed emphases on compliance with NPS-12 in a timely manner.

--Establish a procedure whereby superintendents are notified of convention and group use to ensure compliance with NPS policy on such use.

NPS agreed with our first two recommendations and stated that it will:

AGENCY COMMENTS AND OUR RESPONSE

--Establish a firm policy to permit concessioners to participate in NPS planning processes only during the public participation phase.

--Take steps to assure that the field offices follow NPS Environmental Assessments and Statements Guide-line NPS-12. Also, the impacts of proposed actions should be assessed before approving projects that could affect the parks' environment.

--Emphasize to the field offices the need to adequately document action taken on requests for convention and group use of concession facilities.

We recommend that the Secretary of the Interior require the NPS Director to:

RECOMMENDATIONS TO THE SECRETARY OF THE INTERIOR

NPS has also issued new environmental guidelines to its field offices that include procedures on when to prepare and publish negative declaration statements on projects that could affect the parks' environment. The new guidelines appear adequate but were not always followed at Yellowstone. NPS should take steps to assure that all field offices follow its environmental guidelines so that park resources and the public interest are adequately protected. NPS should also assess the environmental impacts of proposed projects before approving them for construction.

At Mesa Verde, NPS allowed a concessioner to act as a consultant to the planning team that prepared the park's general management plan. Although we could not determine if the concessioner had exerted undue influence during the planning process, we do not consider it appropriate for NPS to allow such participation.

We do not agree that our report implies that the concessioner's participation in the planning process resulted in the addition of lodging facilities. The report states that we do not know what specific influence, if any, the concessioner may have had on the approved plan. Also, we do not question the concessioner's qualifications to act as a consultant to the planning team. However, regardless of type of impact the concessioner may have had and its qualifications to act as a consultant, we do not believe it proper for a concessioner to act as a member of or be a consultant to a team developing a park plan that could influence the concessioner's future operations. We believe such a concessioner's participation should be limited to the public participation phase of the process.

The Mesa Verde concessioner stated that our report implies that its participation in the planning process resulted in an addition to the total number of lodging rooms in the park. According to the concessioner his participation actually reduced the number of units. The concessioner indicated that his 34-year residency in the park and his background and experience in recreation and preservation were reasons NPS asked him to participate in developing the park plan.

#### CONCESSIONER COMMENTS AND OUR RESPONSE

We believe that under no circumstances should concessioners be permitted to be members of or act as consultants to NPS planning teams that decide the future of the parks in which they operate. Such a role not only gives the appearance of conflict of interest but could put the concessioner in a position to unduly influence the planning team to develop the plan to the concessioner's advantage rather than for the benefit of the park.

In regard to our recommendation on concessioner's participation in the planning process, NPS stated that it will explore fully the appropriate level of concessioner participation in the consultative process leading to plan formulation and review.



The Honorable Elmer B. Staats

Page 2

April 25, 1979

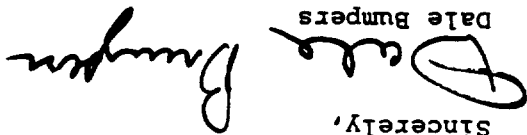
The major issues which should be addressed in the study are:

1. Concession contract policies and procedures, including franchise fees, preferential right, possessory interest, and transfer of contracts;
2. Appropriateness of concession facilities and services;
3. Quality of concessioner services, including health and safety standards; and,
4. Park Service staffing.

As the Subcommittee may well consider amendments to the 1965 Act during this Congress, it is important that this report be completed in a timely manner.

Your cooperation in this matter is appreciated. If you have any questions concerning the request, please contact Mr. Tom Williams or Ms. Deborah Merrick at 224-7150.

Sincerely,



Dale Bumbers

DB:tws

PROPOSED AMENDMENTS TO THE CONCESSIONS POLICY  
ACT OF 1965 TO INCORPORATE GAO RECOMMENDATIONS

Sec. 1 (16 U.S.C. 20) should be amended by inserting the following sentence at the end of the section:  
Also, it is the policy of the Congress that whenever possible the Government shall finance construction and improvements of facilities needed to accommodate visitors to areas administered by the National Park Service.

Sec. 3(a) (16 U.S.C. 20b (a)) should be amended by changing the comma after "investment" in the last line to a period; omitting "as aforesaid"; and adding the following new sentence:

Such compensation shall be determined in accordance with the provisions for compensation for possession interest in section 5 of this Act.

Sec. 4 and Sec. 5 (16 U.S.C. 20c and d) should be deleted in their entirety and the following new section 4 inserted.

Sec. 4. Upon expiration of a concession contract the Secretary shall determine if it is necessary to continue providing the service authorized by the contract. If the Secretary determines it necessary to continue the concession operation, he shall give reasonable public notice of his intention and shall equally consider and evaluate proposals received from all parties interested in operating the concession.

Sec. 6 (16 U.S.C. 20e) should be deleted in its entirety and the following new sections 5 and 6 inserted:

Sec. 5. A concessioner who hereafter constructs or improves, pursuant to a contract and with the approval of the Secretary, any structure, fixture, or improvement upon land owned by the United States within an area administered by the National Park Service shall have a possessory interest therein only if the Secretary determines that it is necessary for such construction or improvement. The possessory interest shall consist of all incidents of ownership except legal title, and except as hereinafter provided, which shall be vested in the United States. The

Sec. 6. Any possessory interest recognized by the Secretary before the effective date of this provision shall continue to be recognized in accordance with the provisions of the applicable concession contracts and regulations and requirements of the Secretary effective at the time the contract took effect. The possessory interest shall not be extinguished by the expiration or other termination of the contract and may not be taken for public use without compensation. The possessory interest may be assigned, transferred, encumbered, or relinquished, unless otherwise provided by agreement of the parties, compensation shall be an amount equal to the sound value of such structure, fixture, or improvement at the time of taking by the United States determined

Satisfactory concessioners shall be permitted to assign, transfer, encumber, or relinquish their possessory interest to third parties. However, for purposes of determining the value of possessory interest recognized by the Government, the original cost to construct or improve the facility shall continue to be amortized and at the end of the amortization period the possessory interest shall terminate and all incidents of ownership shall be vested in the Government. Unsatisfactory concessioners shall relinquish or sell their remaining possessory interest to the Government at no more than the original cost to construct or improve the facility.

possessory interest shall not be construed to include or imply any authority, privilege, or right to operate or engage in any business or other activity, and the use or enjoyment of any structure, fixture or improvement in which the concessioner has a possessory interest shall be wholly subject to the applicable provisions of the contract and of laws and regulations relating to the area. The possessory interest shall not be extinguished by the expiration or other termination of the contract and may not be taken for public use without compensation. Compensation by the Government shall be an amount no more than the original cost to construct or improve the facility less amortization over a period no longer than the estimated useful life of the facility or the term of the contract, whichever is shorter. At the end of such period, the possessory interest shall terminate and all incidents of ownership shall be vested in the Government.



upon the basis of reconstruction cost less depreciation evidenced by its condition and prospective service-ability in comparison with a new unit of like kind, but not to exceed fair market value.

In the event that a concessioner sells, assigns, or transfers the possessory interest to a third party, the possessory interest of the third party recognized by the Government shall be amortized over a period no longer than the estimated useful life of the facility or improvement or the term of the contract period, whichever is shorter. The cost to be amortized shall be based on the sound value as herein described, but not to exceed fair market value.

United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20240



JUN 1 3 1980

Henry Eschwege, Director  
Community and Economic Development  
Division  
General Accounting Office  
Washington, D. C. 20548

Dear Mr. Eschwege:

Enclosed is the response from the National Park Service on the General Accounting Office draft report "Public Enjoyment of National Parks Can Be Significantly Enhanced Through Improved Concessions Management."

As indicated, there was not adequate time to get response from the field on the text. Therefore, the National Park Service chose to respond only to the conclusions and recommendations.

Thank you for the opportunity to respond.

Sincerely yours,

A handwritten signature in black ink, appearing to be "J. G. ...", written over a horizontal line.

Assistant Secretary-Policy,  
Budget, and Administration

Enclosure

## COMMENTS ON DRAFT GAO REPORT

There follows our response to the conclusions and recommendations contained in the draft GAO report.

I. Possessory Interest Creates Difficult Management Problems

CONCLUSIONS: The experience NPS had in terminating the concession contract with General Host to manage the lodging and restaurant facilities at Yellowstone National Park demonstrates the management problems that can occur when a large possessory interest concessioner provides unsatisfactory service to the public. It took NPS nearly 4 years to terminate its contractual relationship with General Host. In the interim the concession facilities were allowed to deteriorate to the point where they presented serious safety hazards to the public and NPS and concession employees, and visitors continued to receive less than satisfactory service from the concessioner.

We believe that large possessory interest concessioners who operate all or most of the concession operations in a park can put NPS in a position where it is difficult to force the concessioner to take necessary corrective action without major disruption of service to the public. As a result, NPS has not taken sufficient action to have concessioners correct deficiencies and significant deterioration of facilities and visitor services has occurred. Moreover, if it becomes necessary to terminate a large possessory interest concessioner, the buyout can be expensive and time consuming.

In order to lessen the potential problems caused by possessory interest concessioners, Congress should restrict the granting of possessory interest in the future.

RECOMMENDATIONS: In the 1975 report, we suggested that to lessen any potential problems from large possessory interests that the Congress encourage Government construction of facilities whenever possible. We still believe that the Congress should finance future construction of needed facilities to accommodate park visitors. However, as an alternative, recognizing that the Congress may not always be able to provide the needed funds and to lessen the impact that possessory interest can have on NPS management, we recommend that the Congress amend the Concessions Policy Act, to allow possessory interest only in those instances where no other alternative is available. Each possessory interest situation should be thoroughly evaluated to determine if it should be offered. When it is granted, the Congress should require that the value of the structure or improvement be amortized over a specific period of time, but not longer than its estimated useful life. If the contract is terminated by NPS or the concessioner, NPS or a third party should be permitted to purchase the possessory interest at no more than its unamortized value.

1. The appropriation process is a 3 year cycle with uncertainties as to the final appropriation.
2. Any particular year when financing would be required could well be a year of administrative and Congressional cutbacks.
3. Along with government ownership comes the responsibility for maintenance and rehabilitation.

As to the recommendation that Congress should finance future construction, this would be acceptable to the National Park Service. However, there may be pitfalls of such an arrangement including:

[GAO NOTE: Based on discussions with NPS officials and officials of the Department of Agriculture's Forest Service on their method to have concession facilities constructed, we modified the recommendation that appeared in the draft report. The recommendation now provides that satisfactory concessioners can sell their possessory interest to third parties at the best price available, but that unsatisfactory concessioners can only sell to the government at a price no greater than the unamortized value of the original construction or improvement cost.]

It is the position of the National Park Service that if the law is changed, the best way to continue to encourage private investment and at the same time discourage unsatisfactory performance is to provide in each contract that, in the event of unsatisfactory performance where facilities or services have been permitted to deteriorate, compensation by the government will not be in excess of the unamortized book value based on the original construction cost.

[GAO NOTE: Language was added to the report to reflect the position of the Appropriations Committee on possessory interest.]

RESPONSE: Public Law 89-249 provides that it is the policy of the Congress to provide necessary facilities by encouraging private investment in facilities and services offered the public. In so doing, it requires that possessory interest shall be granted for providing any structure, fixture or improvement upon the land. The National Park Service has clearly acted within the mandate of the law and notwithstanding changes to the contrary we are bound to continue with existing practices. In this regard, the FY80 Appropriations Act provided language which requires that possessory interest compensation to an unsatisfactory concessioner may be in the amount of book value.

An alternative to government financing of construction might be the establishment of a quasi-public benefit corporation. This kind of organization would make it possible to borrow funds through tax free, government guaranteed bonds with low interest rates. Profits realized by such a corporation would be made available for recycling into additional park facilities without requiring additional public funds. In addition, these monies could be utilized to extinguish possessory interest when desirable. While this may be an alternative, we are not prepared at this time to make such a proposal without further study.

II. Preferential Rights Should be Eliminated

CONCLUSIONS: The right of preference for contract renewal and preferential rights for new and additional services continue to limit competition to operate concession facilities in national parks. Preferential rights for new and additional services also contributes to the build up of large possessory interest concessions. Preferential rights to provide intra-park transportation have resulted in additional costs to certain visitors at some park locations.

We believe that preferential rights for contract renewal and for new and additional services should be eliminated by the Congress. In our view, competition usually encourages improved services and outweighs the claimed benefits derived from preferential rights and having one concessioner running park facilities. We believe established concessioners already have an advantage over others who want to compete for the right to operate in a park, without being granted preferential rights. Established concessioners would usually be in a better position to evaluate what must be proposed to obtain the contract and to operate successfully in the park. Not only would an established concessioner usually be more familiar with NPS policies and procedures, but the fact that the concessioner operating in the park has an established on-going business operation should be an advantage in gaining the right to continue or expand his operation. Also, prior satisfactory related business experience should be a primary consideration in determining the most qualified applicant to operate in the park.

RECOMMENDATION: In the 1975 report we suggested that the Congress consider amending the Concessions Policy Act to eliminate preferential renewal rights. We still believe that such action is needed and recommend that Congress amend the Concessions Policy Act of 1965 to eliminate the right of preference for contract renewal. We also recommend that preferential rights of first refusal for new and additional services be eliminated. We recognize that the intent of the Concessions Policy Act is to encourage continuity of concessions operations. However, we believe incumbent concessioners already have a competitive advantage in seeking to continue to operate in the park without additional legal advantages.

**RESPONSE:** The Congress provided in the law that the preferential right of renewal is not discretionary on behalf of the Secretary and that a satisfactory concessioner shall have a preference in the renewal of its contract.

The National Park Service has diligently followed the mandate of the law in this regard and must continue to do so. We are not prepared at this time to take a position on this recommendation due to factors affecting such a change. Without the current right of renewal, the existing policy of keeping the term of contract as short as possible will have to be studied. Another example would be the difficulty in demanding compliance for facility improvement near the end of the contract if the concessioner is not assured of renewal.

The preferential right for new and additional services is highly compatible with the operation of our national park areas and the stated policy of the Congress to encourage development, when needed, by private investors. The preferential rights for such added services have several advantages to the NPS and include:

- 1. It reduces necessary space for warehousing and maintenance facilities.
- 2. It reduces necessary supply vehicles.
- 3. It gives the NPS the ability to combine potentially unprofitable services with those that are profitable.

While the granting of preferential rights for additional services is discretionary, under current procedures it cannot be included in new contracts merely at the request of a concessioner. There must be benefits flowing to the government and a determination made that it is in the public interest to grant such rights.

There are certain preferential rights which definitely should be eliminated. Specifically this involves ground transportation. In 1976, the Director issued a general policy stating that when new contracts are negotiated all preferential rights for commercial transportation, when granted, be closely defined to encompass only that transportation originating in the park. This practice is currently being followed.

[GAO NOTE: Language that reflects NPS' policy on preferential rights for commercial transportation was added to the report.]

### III. Park Visitors Not Assured Safe and Sanitary Concession Facilities

**CONCLUSIONS:** NPS did not always take appropriate action to assure concession facilities are safe and sanitary for the park visitor and NPS and concession employees. The condition of some facilities was such that they represented serious hazards to the park visitor.

NPS allowed unsafe and unsanitary facilities to remain open without taking action to insure that the deficiencies were corrected. Also, NPS did not always conduct required health and safety inspections and follow-up inspections to determine if deficiencies were corrected. Safety personnel generally lacked the training needed to conduct effective inspections, and at Gateway NPS did not assure that a qualified sanitarian was available to conduct health inspections during the 1979 operating season.

We believe that problems such as identified during our review will persist until NPS is willing to take whatever action is necessary to insure that unsafe and unsanitary conditions are corrected, regardless of who is responsible for correcting the deficiencies. The contracts of concessioners who refuse to make corrections which are their responsibility and continually violate health and safety standards should be terminated.

NPS should perform all required health and safety inspections and follow-ups in a timely manner to assure noted deficiencies were corrected, and should allow only trained personnel to make inspections. Additional health inspections should be made of facilities that continually operate under unsanitary conditions, and health inspection results of these facilities should be publicly posted so that visitors are aware of the sanitary conditions. NPS should assure that qualified sanitarians are always available to conduct health inspections and that all safety personnel are properly trained to identify safety deficiencies. In short, NPS should make public health and safety the number one priority in operating the national park system. As stated above, we plan to issue a comprehensive report that focuses specifically on health and safety in national parks and forests in the near future. In addition to concession facilities, the report will cover water and sanitation systems, tunnels, bridges, and employees dormitories. Recommendations to improve the health and safety of concession operations in the national parks are presented below.

Extensive corrective measures have been taken at Yellowstone and Glacier, where the most severe deficiencies will be corrected prior to opening for the 1980 season. We are proceeding at the other eight surveyed parks to correct deficiencies.

RESPONSE: 1. On the basis of experience gained from the study of Yellowstone fire safety problems, the National Park Service commenced a nationwide survey to determine the safety situation in all the major concession facilities. We commenced with Glacier National Park, in September 1979. The 27 parks with substantial overnight visitor accommodations and/or concession employee dormitories were selected for study first because of their greater potential hazard. Field inspection had been completed at eight of these parks when travel money limitations forced a halt in mid project. Inspection will resume at the remaining parks when the new fiscal year starts in October.

-- Take steps to insure that the services of a qualified sanitarian are available to conduct required health inspections.

-- Provide NPS safety personnel the training necessary to help them identify safety deficiencies.

-- Conduct additional health inspections on concession facilities that continually operate under unsanitary conditions to assure the public's health is protected, and post the results of their health inspections at the facility so the public can be aware of the sanitary conditions of the operation. If these measures do not improve conditions, the concessioner's contract or permit should be terminated.

-- Require that comprehensive annual safety inspections be conducted early in the operating season so that visitors and employees are not exposed to deficiencies during most of the operating season.

-- Take steps to insure that all required health and safety inspections are conducted in a timely manner, and follow-ups are made to assure correction of noted deficiencies.

-- Take immediate action to insure that park visitors and NPS and concession employees are adequately protected against health and safety deficiencies at concession operations. Contracts of concessioners who habitually violate health and safety standards should be terminated. The policy for terminating concession contracts under such circumstances should be incorporated in NPS' regulations.

RECOMMENDATIONS: To help insure that park visitors are adequately protected against health and safety hazards, the Secretary of the Interior should require the NPS Director to:



Superintendents have always followed recommendations for closure made by our PHS staff "if an imminent health hazard exists," such as complete lack of refrigeration or sewage backup into the establishment. The difficulty occurs when there are a number of deficiencies but an imminent health hazard does not exist. The FDS code states, "an establishment shall initiate corrective action on all identified violations within 48 hours when the rating score is less than 60." This does not say closure. However, there may be such a large number of deficiencies that closure is in order.

Superintendents must make a management decision that recognizes and accepts the risk of staying open. An evaluation will be made of existing guidelines to determine how they can be improved to give better guidance to Superintendents on closure of facilities.

In the last 5 years, NPS has closed 28 facilities for safety and sanitation deficiencies. Closures have ranged in duration from 2 hours to 2 years. Contracts can be and have been terminated for unsatisfactory safety or sanitary reasons.

We must recognize that many of these structures were built in another era, according to different codes. Correction will often be tedious and, to assure historic compatibility, will often be expensive.

It should be pointed out that OSHA is now reexamining the codes for old and historic buildings, recognizing this basic problem.

2. During FY79, 77% of NPS food service concessions received all required sanitary inspections. At least one inspection was performed in 97% of the units. However, the National Park Service is not adequately staffed at the field level with well trained safety and sanitation experts. We intend to undertake a complete examination of personnel needs to determine the required additional staffing to perform the necessary safety, public health, and concessioner operation inspections. The examination will explore the further use of seasonal or contract personnel in addition to full time permanent employees. The Director will continue to emphasize to managers at all levels the importance of adherence to regular programs of inspection and correction of deficiencies.

3. So far as practical with 450 concessioners, every effort will be made to schedule safety or sanitation inspections early in the year. Priority for the limited number of trained professionals will be given to concessioners which, because of the previous season performance, or because of current potential, are the most likely violators.

4. The conducting of additional inspections on food service concessioners, we do not believe, is the solution to the problem. The unsanitary conditions found in these establishments generally fall into one of two types--operational and physical deficiencies. Operational deficiencies usually relate to cleaning, proper temperature controls of food and construction characteristics of small equipment and utensil items. These deficiencies are usually within the concessioners area of responsibilities. While more frequent inspections may accomplish some improvements, the long term effect will be negligible. Concessioners management must recognize these deficiencies and institute corrective measures before long term benefits can be achieved.

Deficiencies caused by the physical characteristics of the buildings, many of which are owned by the Government, frequently require extensive time to design, fund and construct the improvements. More frequent inspections will not shorten these time requirements.

The posting of rating scores has limited meaning to the general public. The Federal Agency that authorized the Food Service Sanitation Manual, the Food and Drug Administration, does not recommend such practice.

The Concession Evaluation Program does permit the termination of a contract if the food service sanitation operation continues to be rated unsatisfactory. Superintendents will be made more aware of this guideline.

Under its evaluation program, NPS cannot effectively determine if concessioners are providing satisfactory service to the public on a consistent basis unless it conducts all of its required inspections and its personnel are properly trained to implement the program. Once deficiencies are identified NPS personnel must assure they are corrected and be willing to take whatever action is necessary to require concessioners to correct noted problems. An effective evaluation program is needed not only to assure satisfactory service to the public,

In implementing the evaluation program, NPS did not always perform the required number of evaluation and follow-up inspections. Also, NPS personnel had not received sufficient training to properly carry out the program requirements, and we found instances where the staff overlooked obvious concession deficiencies.

CONCLUSIONS: Since 1975, NPS has developed a comprehensive program to evaluate concessioner performance based on periodic inspections comparing the concessioners' operations against established operational standards. However, we believe the program would be more effective if the opinions and comments of visitors who utilized the concessioners' facilities were considered in appraising concessioner performance. Visitors opinions may be a very effective measure of how well concessioners serve the public. Visitor input could be a valuable supplement to the Concessioner Evaluation Program, and may enable NPS to reduce the need to conduct all of the evaluation inspections now required.

IV. Improvements Needed in Evaluating Concessioner Performance

6. This recommendation was made because of a temporary situation that developed at Gateway National Recreation Area during the 1979 season when a qualified seasonal sanitation was not identified. We have improved our recruitment techniques so that an adequate number of candidates for seasonal sanitation positions are identified for employment at all parks having such positions.

Systematic refresher training thereafter for all of the above categories.

40 hours for concession specialists.  
80 hours for full time safety personnel.

40 hours for personnel with safety as a collateral duty. This course will train 60 people in FY80.

5. Safety training for National Park Service personnel will be increased to include required training as follows:

but to determine if the concessioners should be allowed to continue their operations.

**RECOMMENDATIONS:** To improve the effectiveness of NPS' evaluation of concession operations the Secretary of the Interior should require the NPS Director to:

- develop and implement as part of the Concessioner Evaluation Program procedures to obtain visitor comments and opinions on the quality of concession facilities and services. Comments obtained should be used to help determine if concessioners are performing satisfactorily under their contracts.

- Take steps necessary to assure that the evaluation inspections and follow-ups required by the Concessions Evaluation Program are carried out, including providing additional staff where necessary. When effective procedures to obtain and consider visitor comments are implemented, consideration should be given to reducing the number of inspections now required.

- Develop a training program to instruct NPS personnel to effectively implement the Concessioner Evaluation Program.

**RESPONSE:** A task force was formed to review the Concessioner Evaluation Program in-depth to include the feasibility of incorporating public comment into the program, providing a better control mechanism to assure that the necessary inspections and follow-ups are completed, develop a more positive program to include recognition for superior performance, provide additional activity standards for services not now available, and generally review all other functional areas of the program to improve upon it where possible.

The Concessioner Evaluation Task Force will include a thorough analysis of the visitor comment program recommended in the report. This analysis will include both the cost of implementing and maintaining the program and the benefits which would be derived from it.

A specific hands on intensive training program for the Concessioner Evaluation process started in February of this year as a process to train the field personnel in the use of the program. The training program was highly successful and was, therefore, conducted again in April and has become an on-going training program.

NPS will make a thorough analysis to determine the number of full time and seasonal personnel required to do necessary concession inspections, follow-ups and monitoring of the program. Also, the funds needed to support this function will be determined.

V. NPS Lacks System to Assure Rates Charged The Public Are Reasonable

CONCLUSIONS: NPS' Interim Concessioner Pricing Guidelines, which were designed to create consistency in approving rates until new procedures were developed, are too general and do not provide specific guidance on how to approve concessioner rates. We found that rates were not always fully studied, justified or documented prior to approval, and that the quality of concessioner facilities and services was given little or no consideration in approving rates. Under the guidelines, NPS did not always assure that the rates charged the public were fair and reasonable.

NPS' new Concessioner Comparability Study Procedures had not been implemented to an extent that allowed us to adequately evaluate them. The procedures do provide an organized and systematic method to approve concessioner rates that NPS has not had in the past. However, NPS has identified certain problems that will result if the system is implemented and has established a task force to develop alternatives to resolve them which could result in major changes or elimination of the procedures. Based on a limited review of the procedures we also identified certain problems which would reduce NPS' ability to assure fair and reasonable concessioner rates. We found that the procedures do not address all concessioner services, and quality of facilities and services is not given adequate consideration. Also, NPS personnel, who are responsible for analyzing rate requests using the new rate approval procedures have not been adequately trained.

We agree with NPS' decision to establish the task force to resolve the problems it has identified with the Concessioner Comparability Study Procedures. We believe, however, that the task force should not be restricted to only analyzing those specific problems we identified with the procedures, we believe a more comprehensive study should be made. Such a study should consider the problems we identified and should also consider the views of the various NPS field offices that had the opportunity to use the procedures.

RECOMMENDATIONS: To help assure park visitors are charged fair and reasonable rates, we recommend that the Secretary direct the Director of the National Park Service to:

-- expand the responsibilities of the task force established to develop alternatives to resolve the problems NPS has identified with the Concessioner Comparability Study Procedures. The task force should be instructed to conduct a more comprehensive evaluation of the new approval procedures.

The task force study should give consideration to the problems we identified with the procedures, and solicit the views of the NPS field offices who have used the new procedures.

-- Provide adequate training to its personnel responsible for implementing rate approval procedures.

**RESPONSE:** A task force was formed in January to explore and develop alternatives to the present rate approval process. It will provide the Service with a system that can be more easily understood and used by field personnel, and one that will provide assurance of more reasonable rates. The task force will also address procedures for additional services during Phase III of their project. The task force is now at Phase II of the project which is gathering comments from all areas of NPS to fully assess the proposed alternatives. The recommendations and conclusions of the final GAO report will be provided to the task force to explore. It is our intention to have this system to the field for use by January 1981.

The NPS initiated a comprehensive training program in February to provide the field personnel with specific hands-on training in the rate approval process. The training program was highly successful and was, therefore, conducted again in April for more field employees. Because of the success of the training program, it will be repeated periodically.

Additional assistance in the rate approval process has been sent to Regions and field in the form of a secondary comparability and indexing procedure which allows the field more flexibility and latitude.

#### VI. Franchise Fee Rate Structure Needs Revision

**CONCLUSIONS:** NPS has made little improvement since 1975 in regard to the manner in which franchise fee rates are determined. It appears that the rate structure established in 1965 no longer relates to the privileges granted concessioners under their contracts. Criteria to consider economic factors, such as an acceptable rate of return on gross sales and investment, and on the relative importance of gross sale, net profit, and return on investment, that may warrant a higher or lower franchise fee have not been developed. Under its franchise fee structure there is no assurance that the rates charged reflect the value of the contract to the concessioners, and NPS is spending a great deal of time determining what the rates should be. Also, NPS' field staff lacked individuals with financial type backgrounds needed to facilitate franchise fee rate determination.

NPS is taking steps to hire a consulting firm to develop the best approach for NPS to set franchise fee rates. We believe the system developed should be easily understood and properly

applied by NPS personnel who set the rates. If the system developed provides for adjustment of individual rates based on economic factors, NPS should develop guidelines to assist its staff in making such adjustments. Also, NPS will have to provide its field offices with individuals that have the financial backgrounds and experience needed to understand and determine franchise fee rates.

In regards to NPS' procedures for the renegotiation of franchise fee rates after specified periods throughout the term of the contract, they appear adequate. However, the procedures do not apply to existing contracts established prior to the new procedures and concessioners with these contracts could continue to refuse to negotiate new franchise fee provisions until their contracts expire. Most of the contracts will expire during the 1980-84 period, but many others will not expire for a number of years.

**RECOMMENDATIONS:** To assure that franchise fee rates reflect the value of the privileges granted under concession contracts and that concessioners are treated fairly and equally, we recommend that the Secretary of the Interior require the Director of the National Park Service to:

- develop a new franchise fee rate system that will reflect the value of the privileges granted under concession contracts. The new system should be easily understood and the amount of subjective analysis kept to a minimum so that it may be properly applied by NPS concession personnel. The system should be thoroughly supported and documented. In the future, the system should be reviewed periodically to determine if changes are necessary.
- Develop specific criteria and procedures to assist the concession management staff to make appropriate adjustments, if the system developed provides for adjustments to the established rates based on pertinent economic factors.
- Take steps necessary to provide the concession management field staff with individuals that have financial background and experience needed to effectively determine equitable franchise fee rates and to deal with the other aspects of concessions contracts.

**RESPONSE:** The NPS, as indicated in the report, is presently contracting to update and revise its existing franchise fee system. The study is estimated to cost \$40,000 and the report is due approximately 150 days (5 months) from the contract award date. The contractor must accomplish the following:

**TASK 1:** The various categories of concessioners sales are to be studied, taking into consideration the differing levels of profitability in the business world. For

CONCLUSIONS: Since 1975, NPS has finalized in the Federal Register its procedures regarding the sale, assignment, or encumbrance of concession contracts, permits, and assets. The procedures do not, however, effectively control such transfers,

Qualified

VII. NPS Needs to Assure Concession Transfers are to Best

- a. Reflect the value of the privileges granted under concession contracts.
- b. Be easily understood.
- c. Limit the amount of subjective analysis so that it may be properly applied by NPS.
- d. Be thoroughly supported and documented.
- e. Be reviewed periodically to determine if changes are necessary.

Upon completion of the study by a contractor, a task force will be utilized to implement a final system, taking into consideration the recommendations in both the 1975 and the current GAO report. The franchise fee system should:

TASK 2: The contractor must study other major systems used by major franchisors, shopping centers, and other government agencies. The contractor must analyze the advantages and disadvantages of the existing NPS system for determining the percentage franchise fee and the building use fee and compare it to alternative systems studied. The contractor must determine whether such other systems can be reasonably applied to concessioners operating under the Concessions Policy Act and recommended the best possible system for NPS concessioners. The Pros and Cons of NPS adopting such a system must be listed.

example, souvenir (gift) sales are more profitable than food sales. All sales categories are then to be identified and grouped by common or like profitability levels, updating the NPS grouping established in 1965. The contractor must then arrive at a minimum percentage guideline for each grouping showing and/or explaining clearly the basis used to update minimum percentage guidelines established by NPS.

In performing this task, the contractor is to review the concessioner annual financial reports which are available in the Washington Concessions Office. The contractor must also review and analyze industry operating results in grouping the sales categories by common or like profitability levels.



and in effect, have allowed the concessioner to determine who is the best qualified to operate in a park. As a result, the operations may not be transferred to the best qualified parties. Normally, NPS does not become involved in a transfer until after the buyer and seller have reached an agreement. At that point, it is difficult for NPS to deny the transfer.

We believe that NPS should determine the best qualified parties to operate in the national parks, not concessioners. NPS can more effectively control transfers of concession operations by soliciting for the concessioner qualified parties interested in taking over the concession operation.

Also, NPS had not established criteria to judge satisfactory selected business experience or financial position of parties who want to operate a concession in the national parks.

**RECOMMENDATIONS:** To strengthen NPS' control over transfers of concession operations and to assure that the better qualified parties are selected to operate in the parks, the Secretary of the Interior should require the Director of the National Park Service to:

-- require concessioners to notify NPS when they no longer want to operate in the park and want to transfer their operation to a third party. NPS then should issue a prospectus to solicit parties interested in taking over the operation. In addition to the normal distribution NPS makes of a prospectus, it should also be sent to parties identified by the concessioner. Interested parties should send their proposals and qualifications to NPS. NPS should then determine the parties best qualified, and provide the concessioner their names so that he can negotiate the transfer with them.

-- Develop and publish in the Federal Register standards for evaluating satisfactory selected business experience and financial position of parties interested in operating a concession in the national parks.

**RESPONSE:** The NPS agrees that its policies have been ineffective in handling sales in the past. The regulations (36 CFR 51.7) titled "Sale, assignment, or encumbrance of concession contracts, permits, and assets" were published and made effective November 1, 1979. Because these regulations have been effective for only a short period of time, we have not been able to fully determine their impact on sales.

NPS agrees that a new sales policy should be established but has been reluctant to spend the necessary time and money to accomplish this because of possible legislative change.

The recommendation that a buyer be selected through the issuance of a prospectus is valid. However, on existing contracts, the process of issuing a prospectus would not always produce a buyer, since a satisfactory concessioner would not be bound to arbitrate a price or obligated to proceed with the sale even after the selection of a successor by the government. This will require further study.

The NPS will establish a task force this fall to develop a comprehensive policy on sales with accompanying guidelines to the field (assuming new legislation will not be pending or passed in the interim).

#### VIII. Appropriateness of Park Activities

CONCLUSIONS: Since 1975, NPS has established a policy to control convention and group use of concession facilities that appears to have been working fairly well. However, at Yellowstone, which was in the midst of terminating the principal concessioner's contract, NPS did not maintain adequate records of convention and group meetings. Therefore, we had to rely on information provided by the concessioner in evaluating the effectiveness of the policy at Yellowstone. We believe it is important that NPS assure that concessioners do not allow convention or group meetings to interfere with the general public's use and enjoyment of the park and should emphasize to its field offices the importance of adhering to the established policy and providing adequate documentation of action taken on requests for such use.

NPS has also issued new environmental guidelines to its field offices that include procedures on when to prepare and publish negative declaration statements on projects that have the potential to affect the parks' environment. The new guidelines appear to provide adequate guidance, but were not always followed at Yellowstone. NPS should take steps to assure that all its field offices follow its environmental guidelines so that park resources and the public interest are adequately protected. NPS should also assess the environmental impacts of proposed projects before they are approved for construction.

At Mesa Verde, NPS allowed a concessioner to act as a consultant to the planning team responsible for preparing the park's general management plan. Although we could not determine if the concessioner had exerted undue influence during the planning process, for obvious reasons we do not consider it appropriate for NPS to allow such participation on the part of concessioners.

RECOMMENDATIONS: To help assure the appropriateness of concessioner, as well as other activities in the parks, we recommend that the Secretary of the Interior direct the Director of the National Park Service to:

-- emphasize to its field offices the need to adhere to its policy on convention and group use and adequately document action taken on requests for such use.

-- Take steps to assure that its field offices follow its Environmental Assessments and statements Guidelines NPS-12. Also, the impacts of proposed actions should be assessed before approving projects having the potential to impact upon the parks' environment.

-- Establish a firm policy to prohibit concessioners from actively participating in NPS planning processes other than during the public participation phase.

RESPONSE: 1. National Park Service will firmly establish a procedure whereby Superintendents are notified of group or convention use so that they can ensure compliance with policy.

2. The National Park Service will place renewed emphasis on compliance with NPS-12 in a timely enough manner to minimize the need for last minute or after the fact declarations.

3. The Service will explore fully the appropriate level of concessioner participation in the consultative process leading to plan formulation and plan review.

On February 28, 1979, General Host presented to the Department of the Interior a full rebuttal to the NPS' allegations concerning the quality of YPC's performance as a concessioner at the Park. This rebuttal, entitled "Statement of the General Host Corporation on the Yellowstone Park Concession," is attached hereto as Appendix A. General Host respectfully requests that this statement be incorporated as a part of the record in this matter. As clearly and thoroughly set forth in this statement, YPC's performance under its concessions contract remained at all times at or above a satisfactory level. Furthermore, following NPS reports citing deficiencies in YPC's operations, YPC carefully reviewed the government's criticisms of its operations and undertook programs designed to eliminate those deficiencies that actually existed. It should be noted that YPC's concession contract was not terminated for deficiencies in service, but for alleged failure to comply with the contract's capital expenditure requirements.

In its report, the GAO concludes that YPC's operations were not satisfactory in a number of respects. This conclusion does not appear to be based upon an independent evaluation of YPC's operations, but rather upon several reports made by the National Park Service during the late 1970's. There is no evidence in the draft report of any attempt by the GAO auditors to review the detailed rebuttals to those reports prepared by General Host and YPC; nor was an attempt made to discuss any of YPC's operations or its alleged deficiencies with the chief operating officer or other executives of YPC.

During the period 1966 through October 31, 1979, General Host, through its wholly-owned subsidiary, the Yellowstone Park Company (YPC), operated the hotel, restaurant and related concessions operations in Yellowstone National Park. Contrary to the tentative conclusions reached in the draft GAO report, we believe that, throughout this period, YPC provided a high level of service to the public through its concessions operations in the Park.

This letter responds to your request for comments from General Host Corporation (General Host) on certain portions of a draft report prepared by the General Accounting Office (GAO) on the management of National Park concession operations.

Dear Mr. Kirk:

Mr. Roy J. Kirk  
 Senior Group Director  
 United States General  
 Accounting Office  
 441 G Street, N.W.  
 Room 6814  
 Washington, D. C. 20548

June 5, 1980

GENERAL HOST CORPORATION  
 22 Gate House Road  
 STAMFORD, CONNECTICUT 06902

HARRIS J. ASHTON  
 CHAIRMAN OF THE BOARD

(203) 357-9900

Mr. Roy J. Kirk  
Page 2  
June 5, 1980

General Host is particularly concerned with the statements contained in the draft GAO report regarding the safety of the facilities in the Park that were previously operated by YPC. These statements are based primarily on outdated and inaccurate NPS reports. Whenever YPC received such reports from the NPS, the company took corrective action on a priority basis. In addition, over the past several years, YPC has subjected its facilities to periodic safety engineering surveys by its insurance carriers and by the Director of Loss Control for General Host to ensure the safety of its facilities in the Park. Where serious potential safety hazards were identified, these problems were rectified.

In the GAO draft report, specific reference is made to the safety and general condition of the Lake Hotel. In response to questions raised in an oral communication from the NPS in the spring of 1979, YPC had an inspection of the condition of the Lake Hotel made by a registered engineer employed by General Host. His report concluded that the Lake Hotel was a "sound" structure with no inherent structural deficiencies. We provided this report to the NPS and received no reply or further comment.

It must be noted that many of the facilities in Yellowstone National Park are quite old, wood structures, some built around the turn of the century. In managing this unique national asset, General Host always endeavored to maintain the historical characteristics inherent in these structures as, for example, in the case of Old Faithful Inn, a registered national historic monument. Although in some few instances the safety precautions instituted in these structures may not have accorded with the standards applicable to new structures built of steel and concrete, we believe that the safety record at our facilities in the Park speaks for itself and reflects our concern for the safety of our guests and employees.

The draft GAO report questioned whether the rates charged by the concessioner for lodging were "fair and reasonable." Based upon our experience as the concessioner in the Park for 13 years, we believe that these rates are comparable to or lower than the rates charged by similar facilities that must operate during a short season. Most of the concession facilities at Yellowstone are operated for only 3 months per year. The facilities remain closed for 9 months each year, and then must be reopened and renovated for the next season. Since these facilities are quite remote, the concessioner must bear significant additional costs, such as employee housing and laundry services, not generally associated with an operation of this type. YPC always provided a high level of service to its guests, assuring them of clean rooms and substantial amenities during their stay in the Park. YPC endeavored, however, to retain the rustic character of its facilities in keeping with their location in the heart of a national park. Indeed, one would not expect to find, or even want to discover, a color television in every room at Old Faithful Inn.

In conclusion, in contrast to the impression made by the draft GAO report that you have provided us, YPC consistently provided satisfactory service to its guests and safe, well-maintained facilities for its guests and employees in Yellowstone National Park. The GAO's conclusions to the contrary, with strong emphasis on outdated and previously rebutted reports of the NPS, are clearly inaccurate and should not be included in the final report on this matter.

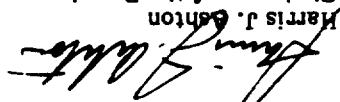
Mr. Roy J. Kirk  
Page 3  
June 5, 1980

In fact, it should be noted that, in reviewing our final season as concessioner in the Park during 1979, the NPS commended our operations in almost all respects. In particular, the NPS applauded the company's extensive maintenance and repair effort undertaken in 1979, even in the face of our impending termination as concessioner in the Park. We believe that the comments of the NPS on our performance in 1979 more accurately reflect the operations of YPC throughout its tenure as concessioner in the Park.

I hope that the above comments and the attached February 28, 1979, statement provide you with sufficient information on which to warrant a revision of the conclusions reached in your draft report. If I or any employee of General Host may provide you with any further information or assistance in this matter, please feel free to contact me.

Thank you for providing us with an opportunity to comment on your draft report.

Sincerely,

  
Harris J. Ashton  
Chairman of the Board  
General Host Corporation

Attachment



June 5, 1980

Mr. Roy J. Kirk  
 Senior Group Director  
 U. S. General Accounting Office  
 441 G Street, N. W., Room 6814  
 Washington, D. C. 20548

REF: CED9-284

Dear Mr. Kirk:

Thank you for the opportunity to comment on the sections of the draft report on the National Park Services' management of concession operations that relate to Mesa Verde National Park.

In response to the portion on preferential rights, I would dispute the statement "the need for the concessioner's guide is questionable since once at the ruins NPS provides free guide service." The tour and interpretation provided by Mesa Verde Company tour guides is supplemental to the interpretation provided by the National Park Service. Although there is an occasional complaint from a new tour operator who has not budgeted for the tour expense, these complaints are exceeded at least tenfold by compliments and appreciative comments (which can be documented if necessary). Additionally, many of the commercial tours are groups of senior citizens who are unwilling or physically unable to descend the trails and ladders into the cliff dwellings and consequently would not enjoy the benefit of any oral interpretation of the park. It were not for the Mesa Verde Company tour program, which consists of a three hour intensive discussion and exploration of the ancient Indian culture, as well as geology, biology and other topics of interest to visitors. In summary, the tours provided by Mesa Verde Company are needed, requested and appreciated by visitors to Mesa Verde.

[GAO NOTE: Based on the concessioner's comments, the statement "the need for the concessioner's guide is questionable since once at the ruins NPS provides free guide service," was deleted from the report. GAO does not question the need or benefit of the concessioner's tour guide, but objects that visitors coming to the park via commercial transportation must pay for the service whether wanted or not in order to visit the park's main attraction.]

June 5, 1980  
Mr. Roy J. Kirk  
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I disagree totally with the paragraph regarding the quality of food at Mesa Verde. I believe that the quality of food is evaluated continually by the National Park Service, first in the approval of prices, as outlined in "Concessions Comparison Study Procedures, Volume I" published by the National Park Service which both implies and expresses the need to evaluate quality in the selection of comparables and in the comparison of the concessioner's operation to those comparables in the price approval procedure. Secondly, the quality of food is monitored frequently in the "Concessions Evaluation Program"

As outlined in Standard No. III of that program, I can understand that the GAO auditors may have become bored with the menu selection during their lengthy stay at Mesa Verde in 1979, but our menus are not designed to accommodate the long-term visitor. The evaluation of food quality is basically a subjective judgment and ultimately can be best measured by visitor response. I am aware of only two written complaints in 1979 to the National Park Service with regard to food quality in Mesa Verde and our files and observations of visitor comments record substantially more complaints than complaints about food quality and service. I question the qualifications of the GAO field auditors to make the determination that "the overall quality of the food was lower". Again, in summary, I must emphasize that the quality of food is very definitely evaluated and monitored by the National Park Service and that a conclusion with regard to quality in this report is unsupportable.

The draft report comments upon the participation by William C. Winkler as a consultant to the planning team in developing the general management plan for Mesa Verde National Park. This subject was not discussed in the closing discussions with the field auditors so I did not have the opportunity to comment on the subject at that time.

The report notes that the plan provides that the concessioner can add fifty new lodging units and expand the cafeteria facility. The implication is that my participation resulted in the addition of total number of rooms at Far View. This is contrary to fact and my participation did in fact reduce the number of units for the total facility.

In an earlier plan the National Park Service planned a total of 240 rooms under a different master plan process. They provided and built underground utilities, parking areas and sidewalks for 240 rooms. The empty pads are easy to count and can be seen today. I provided counsel that the existing 100 rooms should only be increased by 50 units and not the 140 more as originally planned.



It is common practice that the National Park Service transfer their management personnel on a regular basis. It is somewhat rare to find a park resident who has resided in the park for thirty-four years. I suspect that it was this continuity that made my participation of interest. I have served seven superintendents and was very familiar with the work of a number of planning teams.

Some value may have been placed upon the fact that my university training was in Recreation and Game Management. I have worked for the Colorado Division of Game, Fish and Parks, the U. S. Forest Service and the National Park Service as a seasonal ranger (six years Mesa Verde and Yosemite). I have walked and ridden over more of Mesa Verde than anyone alive today.

Some of my experience was with the interpretive division and I have lectured extensively on the park values and history. I have produced a 23-minute interpretive film which originally premiered on NBC television and I have authored a popular book on Mesa Verde which is sold widely in museums throughout the area.

I served three Colorado governors as a Commissioner on the Centennial Bicentennial Commission. I chaired the Heritage Committee in Colorado and was their representative on the State/Federal Dominguez-Escalante Committee. Part of this function was to develop a general management plan for the historical trail leading through four states. The plan was developed and executed on schedule before the commission was dissolved.

I suspect that park planners may have looked at the fact that I serve Governor Lamm as an advisory member of his Council on Historic Preservation. I also serve time as an advisory board member on Commerce and Industry. I have also spent time on the southwestern Colorado Community Health Planning Council and with a Western Colorado promotional group known as Club 20.

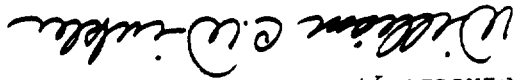
Somewhat in between these activities I have found time to feed and house a lot of visitors to Mesa Verde and this January I was honored by my friends and neighbors by receiving Colorado's award for "Community Awareness".

I don't know just how you would write the specifications of a "Consultant" for a planning team to be selected from "the general public and special interest group". Obviously, different superintendents have different ideas on how to get the job done.

June 5, 1980  
Mr. Roy J. Kirk  
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I believe that there was considerable justification on the part of the National Park Service in asking me to serve as a consultant. A recent Director of the National Park Service had asked, on three separate occasions, for me to join his team as Chief of Concessions Management.

Sincerely,



William C. Winkler,  
President

WCM:hs

THE  
ANSEL ADAMS  
GALLERY

1772 West Alhambra Avenue  
Fresno, CA 93711  
June 3, 1980

Mr. Roy J. Kirk  
Senior Group Director  
U.S. General Accounting Office  
441 G Street, N.W., Room 6814  
Washington, D.C. 20548

Dear Mr. Kirk:

The letter CED9-284, dated May 23, 1980, and received May 30th, requires response. The draft deals specifically with franchise fees, as applicable to the evaluation by GAO of NPS concessions management.

Perhaps, this is an opportunity to evaluate the purpose of franchise fees and what they are designed to encourage or discourage in terms of the visitor experience.

Best's Studio, Incorporated, dba The Ansel Adams Gallery, since 1902, has been a small business operated by the same family in an effort to enhance the quality of the visitor experience in Yosemite National Park, providing fine handcrafts, art, books, photographic supplies, etc., in a friendly, aesthetic environment. The personnel have an unusually high level of expertise, courtesy, and enthusiasm about Yosemite, adding to the gracious atmosphere upon which visitors from around the world comment. Basic photographic techniques are taught (at no expense to the visitor or child, in Yosemite Valley or at the Green Meadows Outdoor School in Fish Camp outside the southern boundary of the National Park). Demonstrations by potters fascinate many visitors during the summer. Such an individualized operation requires greater effort and cost than that of large, volume businesses. For approximately three years, sale of Ansel Adams fine prints have offset these additional expenses; the limited supply of fine prints decreases steadily. The Ansel Adams Gallery intends to continue its traditional service to the visitor. We have conscientiously tried to maintain this commitment to excellence with little or no encouragement from governmental officials.

Before the franchise fees paid to the General Fund jeopardize this dedication to a quality performance, the National Park Service as administrators, and Congress as policy makers, must reconsider the intent of the franchise fee.

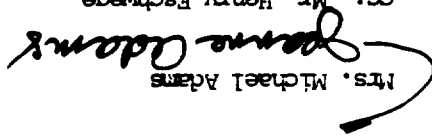
As to the draft submitted for review, some information was new. The implication that the November 27, 1978, meeting with the Director was secret is in error. When we met with Mr. Whalen, offering additional financial information, he waved it aside, indicating that he had already been briefed on the matter by Mr. Surles of the Concessions office.

Mr. Whalen said the fee was to be 2% for two years, which we agreed to, with the understanding that contract renewal negotiations could begin after 18 months. Later, without giving any justification, the National Park Service reduced the period to one year, to revert to 5% unless a mutually satisfactory lower figure were negotiated.

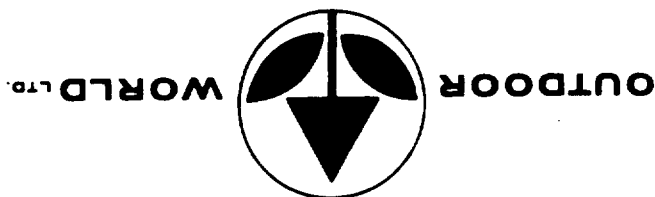
I believe Mr. Whalen was aware of and sensitive to problems and accomplishments of a specialized small business operation in the National Parks. The Adams-Best family aspires to a heritage of exemplary service worthy of the natural grandeur of Yosemite National Park. We also support PL 89-249, which guarantees certain rights to National Park concessioners. Should franchise fees be punitive and inhibit fiscally responsible exemplary performance in the public interest? Should the word of the National Park Service be reliable?

Thank you for the opportunity to read and comment on the section of the GAO draft which was sent by Mr. Esdrwege.

Sincerely,

  
Mrs. Michael Adams

cc: Mr. Henry Esdrwege



JUNE 2, 1980

Mr. Roy J. Kirk  
 Senior Group Director  
 U. S. General Accounting Office  
 441 G Street, N.W., Room 6814  
 Washington, D.C. 20548

ON FRIDAY AFTERNOON MAY 30, CORRESPONDENCE WAS RECEIVED IN MY OFFICE REQUESTING A REPLY TO YOU BY JUNE 4. THE NEXT MAIL FROM MCKINLEY IS ON JUNE 2, SO IT COULD NOT, WITH INSTANT RESPONSE, HAVE MET YOUR DEADLINE.

SINCE THIS SURVEY HAS BEEN IN PROGRESS FOR ONE YEAR, IT SEEMS ODD THAT WE SHOULD BE PLACED UPON SUCH A TIMETABLE.

THE LETTER FROM MR. ESCHWEGE REQUESTS COMMENTS ON TWO SECTIONS, AND THEN ADDS THAT THE LETTER IS THE PROPERTY OF G.A.O. IT CAN BE RECALLED AND IS NOT PUBLIC IN NATURE.

NOT ONLY ARE WE DEPRIVED OF TIME TO RESPOND, BUT ALSO THE PRIVILEGE OF CONSULTING WITH OTHERS ON FRAMING A PROPER RESPONSE. DUE TO THE GENERAL NATURE OF THE STATEMENTS, AND THE IMPOSSIBILITY OF REPLYING WITH SPECIFICS, IT WOULD HAVE BEEN APPRECIATED IF AN OPPORTUNITY OF CONSULTATION HAD BEEN PROVIDED.

GAO NOTE: The concessioner misinterpreted our statement regarding public disclosure of the information provided for comment. The statement was not made to prevent the concessioner from privately consulting with others in developing its comments.

WITH THE ABOVE OBSTACLES IN OUR PATH, I AM PROCEEDING WITH THE MOST APPROPRIATE AND STRAIGHTFORWARD RESPONSE I CAN FRAME UNDER THE CIRCUMSTANCES.

1. G.A.O. - STATEMENT UNDER SAFETY. (DRAFT)

"WE ALSO NOTED THAT SAFETY DEFICIENCIES OCCURRED AT MT. MCKINLEY EVEN THOUGH FOLLOW UP SAFETY INSPECTIONS WERE CONDUCTED."

MT. MCKINLEY NATIONAL PARK CO. / MCKINLEY PARK, ALASKA 99755 (907) 683-2215  
 OCTOBER-APRIL: 307 SOUTH B. STREET, SAN MATEO, CA. 94401 (415) 348-3385

GAO NOTE: The above statement is misquoted by the concessioner--it should read "\*\*\*deficiencies recurred\*\*\*." instead of "occurred."/

THE ABOVE STATEMENT WOULD APPLY TO THE NATIONS CAPITAL, THE WHITE HOUSE, OR ANY MAJOR FACILITY, PUBLIC OR PRIVATE BUILDING.

WE HAVE NEVER KNOWINGLY OR DELIBERATELY LEFT AN INSPECTION ITEM UNCORRECTED. THERE ARE SOME PROBLEMS RELATED TO GOVERNMENT BUILDINGS, (SHOP AND DORM) THAT ARE BEYOND OUR CONTROL.

OUR SAFETY RECORD AT MCKINLEY FOLLOWING THE 1973 REBUILDING IS OUTSTANDING. ONLY A VERY FEW MINOR INCIDENTS HAVE OCCURRED AMONG 200 PLUS EMPLOYEES IN SIX YEARS.

2. G.A.O. STATEMENT UNDER SANITATION. (DRAFT)

AGAIN A GENERAL STATEMENT. ANYONE FAMILIAR WITH RESTAURANT INSPECTIONS WOULD UNDERSTAND THAT AT ANY TIME IN A LARGE BUSY KITCHEN, FOOD WOULD BE LEFT UNCOVERED, A KNIFE MIGHT NOT BE WASHED IMMEDIATELY AFTER USE, AND YET GENERAL CLEANLINESS IN THE OPERATION WOULD BE EXCELLENT. I BELIEVE THAT TO BE THE CASE AT MCKINLEY.

ON SPECIFIC SANITATION - I.E. WE HAD BEEN CITED FOR THREE YEARS ON OUR PICNIC LUNCH SANDWICH. THE COMMENT DID NOT MAKE SENSE TO US. AFTER REPEATED ATTEMPTS TO CLARIFY, THE INSPECTOR STATED IN THE SPRING OF 1980 THAT HE HAD NOT UNDERSTOOD OUR METHOD OF PREPARATION AND IT WAS ACCEPTABLE AFTER ALL.

IN OUR FOOD FACILITIES, HIGH STANDARDS OF CLEANLINESS AND SANITATION ARE RIGIDLY MAINTAINED. THERE ARE SPECIFIC OVERSIGHTS, BUT I BELIEVE IT TO BE AN ERROR TO REACH A GENERALIZED CONCLUSION BASED UPON A FEW SPECIFICS. AS WITH SAFETY IN THE WHITE HOUSE, THE OPERATING ROOM OF ANY GREAT HOSPITAL WOULD HAVE SPECIFICS ADVERSELY NOTED UPON INSPECTIONS.

IN SUMMARY, I WOULD ENCOURAGE A FUTURE COURSE OF CONTINUED SPECIFIC CORRECTION, BUT A RATING BASED UPON GENERAL SAFETY AND CLEANLINESS STANDARDS MAINTAINED WITHIN OUR OPERATING FACILITY.

THANK YOU FOR THE OPPORTUNITY TO COMMENT.

CORDIALLY,

*George C. Fleury*  
 GEORGE C. FLEURY  
 PRESIDENT

CC: HENRY ESCHWEGE

(COPY)

Dear Mr. Kirk:

Your first paragraph is misleading. Mr. Fritz agreed to buy in February, but his earnest money was not received until we took him to Olympic Park Headquarters in March. He was interviewed by the Superintendent and the Assistant Superintendent and he submitted a personal balance sheet. They decided to permit him to buy and estimated the sale could be consummated within 2 weeks. We hired a lawyer to draw up the papers for April because we could not be ready sooner to transfer.

[GAO Note: The concessioners March 23, 1978, letter to NPS stated that an agreement had been reached in February 1978 to sell the concession operation. Although the money may not have changed hands until March, agreement on the sale was made in February.]

We kept in touch with the Park Service and they kept saying there was no problem. They would give permission in a few days but it had to be approved at a higher level. Then they said an up-to-date appraisal was needed and they would assign a Dept. of Interior appraiser, but it would take several months, or we could have it done. So we hired it done--an unnecessary expense. The appraisal came out satisfactory to the Park Service.

Encouraged by the Superintendent's assurances, Fritz had sold his farm and machinery and needed to live somewhere. So the very end of April we moved out of our mobile home at Log Cabin Resort and let him and his family live there for free in return for limited help to us.

Then later when there was work to be done, we hired his children and another young man who traveled with the family. This was after we had been led to believe everything was all set with the Park--all they needed to do was get the right executives to sign the papers.

Then finally the Park came through with permission in mid July and the sale was executed on July 19, 1978. We do not understand your "August 1978" date.

[GAO Note: The August 1978 date was changed to July 1978 in the report.]

(COPY)

Your statement that the buyers (the Pritz's) were operating the resort prior to July 19, 1978, is totally erroneous. Because we were living a few miles away--perhaps 8 or 10 miles--we had them cover after I left at night, somewhere between 10 PM and midnight, in case a late arrival would call in. Then we had Mr. Pritz open up in the AM, but we arrived well before 8 AM. We did all the cooking. We were in charge of the housekeeping. We or our paid employees rented the rooms and took care of the reservations. We ran the bar. We took care of the money. We paid the help and hired the help. We or our worker paid the bills. We made all the decisions, but, since they were presumably going to own the place, explained our purchases of advertising and supplies to them. We taught them the business to the extent they were willing to be shown, but they did not operate the place in any sense of the word prior to 7/19/78.

[GAO Note: Based on the concessioner's statements, we deleted from the report the statement that the buyers of the lodging facility were "in effect operating the facilities prior to NPS approval."]

Sincerely,

/s/ Robert L. Fuller

(148620)