

UNITED STATES OF AMERICA  
 DEPARTMENT OF THE INTERIOR  
 NATIONAL PARK SERVICE  
 CONCESSIONS MANAGEMENT ADVISORY BOARD

**Minutes** of February 21, 2001 Concession Management Advisory  
 Board meeting

PRICE WATERHOUSE COOPERS: HIGH LEVEL PROGRAM  
 REVIEW OF THE NATIONAL PARK SERVICE'S  
 Concession PROGRAM  
 February 21, 2001

**Welcome.** Cindy Orlando, Concession Program Manager welcomed the Acting Director of the National Park Service, Dennis Galvin. Mr. Galvin welcomed the Board and invited their advice on changing the longstanding way that National Park Concessions have been managed. The Price Waterhouse presentation will afford an opportunity to consider the nature of that change and the management actions that need to be taken. Ms. Orlando next introduced Dick Ring, Associate Director for Park Operations and Education, who pointed out the importance of the Concessions program to the National Parks and welcomed advice on how to best approach problems and resolve them was looking forward to working with the Board.

Chairman Allen Naille extended his welcome and asked everyone to introduce him or herself.

**Convene Business Meeting.** Chairman Naille called the meeting to order at 8:45 a.m.

**Board Members in Attendance were:**

ALLEN NAILLE, Chairman  
 DR. JAMES J. EYSTER  
 WILLIAM S. NORMAN  
 RICHARD LINFORD  
 RAMONA SAKIESTEWA  
 PHILIP H. VOORHEES  
 BURT WEERTS  
 DESIGNATED FEDERAL OFFICIAL: CINDY ORLANDO  
 ALSO PRESENT: SHERRILL WATSON

**PARTICIPANTS:**

DENNIS GALVIN, Deputy Director  
 KIM THOMAS, Golf Course Specialist  
 BOB BROCK, Golf Course Specialist  
 VICKI GAMMON, Concessions Analyst, National Capital Region.  
 SKIP LARSON, Chief, Concessions, National Capital Region.  
 JERRY SWOFFORD, Program Manager for Concessions in the  
 Northeast Region.  
 JUDY JENNINGS, Chief of Business Resources in the  
 Intermountain Region in Denver.  
 TONY SISTO, Concessions Program Manager, Western Region, San

Francisco.

GARY POLLOCK, Park Service Office of Budget and Congressional Affairs.

JANET LIN, Legislative Counsel for the Department.

MIKE CONKLIN, Concessions Analyst for the Statue of Liberty, Ellis Island.

JUDY BASSET, Washington Representative for the National Park Hospitality Association.

LAURIE SCHAFFER, Chief of Operations at the Concessions Program Center in Denver.

DAN WENK, Park Superintendent.

SANDY POOLE, Concessions Credit Manager in Midwest Region.

HENRY BENNEDETTI, Concessions Program, Southeast Region.

ART HUTCHINSON, the Deputy Chief of the Business Resources in Denver, Intermountain Region.

DALE DITMANSON, Associate Regional Director for Operations in Northeast Region.

NED WOODWARD, U.S. General Accounting Office.

MIKE GOMEL, Director of Business Development for Delaware North Park Services.

GARY FRAKER, Vice President of Development in Delaware North Parks.

BOB HYDE, Financial Analyst in the Washington Office of Concessions.

VISHNUE PERSAUD, Accountant, Washington Office.

MARY MURPHY, Business Resource in Yellowstone National Park.

JUDY CHURCHWELL, Assistant Chief Business Resources, Yellowstone National Park.

DEE HIGHNOTE, Senior Operations Analyst, Washington Office,

VIRGINIA JOHNSON, House of Representatives, Resources Committee.

BOB HOWARTH, Resources Committee.

MARGARET BAILEY, Price Waterhouse Coopers.

CURT CORNELSSEN, Price Waterhouse Coopers.

KITTY ROBERTS, Superintendent at Grand Canyon National Recreation Area.

DICK RING, Associate Director for Operations and Education of the National Park Service.

**Approval of Minutes.** Board member Norman, seconded by Board member Sakiestewa moved to approve the August 28, 2000 minutes. The motion carried.

**Presentation of Price Waterhouse Coopers Organization Analysis.** Curt Cornelssen presented the Board with a program review that was conducted over the last four or five months for the National Park Service Concessions Program. Copies of the presentation were handed out. After providing a brief history of the team's credentials and describing the extensive list of experts the team had consulted with, Mr. Cornelssen proceeded with his presentation.

Mr. Cornelssen explained the scope, objectives, and methodology of the study for the organizational change and

change of management within the Program. This ultimately resulted in a comparing the Park Service against other private and public sector organizations in order to arrive at the best practice analysis, to develop some lessons learned, and then finally to arrive at recommendations. The Scope and Objectives asked for an independent review of the program, specifically focusing on Mission and Objectives, Structure and Reporting Relationships, Staffing both in terms of the staffing levels and expertise of those staffs. A survey was conducted of the financial situation of the budget, and of the contracting and capital asset oversight functions, which are core management processes. An autronic survey was done as a follow-up tool to give everyone within the program an opportunity to provide some feedback. Key issues were identified as well as the causes of problems and development of some initial solutions, followed by findings and recommendations. Work is continuing on developing an action plan and an implementation plan on the findings.

The model arrived at shows three components to the organization (1) the direction and the identity of the organization starting from the Mission and the Strategies and the Culture, (2) the Management Processes and Business Processes, and (3) the Organization Performance with internal and external stakeholders. The internal stakeholders being the Parks and the Region, the external being the visitors, the Congress, the taxpayers, and others.

The report listed seven areas:

- § Organization Mission and Objectives
- § Organizational Structure and Reporting Relationships
- § Staffing Levels and Expertise
- § Budget/Resources
- § Contract Oversight
- § Information Technology
- § Core Management/Business Processes

Mr. Cornelssen pointed out that with respect to Organization Structure and reporting relationships, this is a responsibility that exists at all levels and is clearly understood and recognized from park to region. However, there is a lot of confusion in the field as to who does what and what their roles and responsibilities are and this might be a reason to combine the two areas as this would certainly simplify matters. There needs to be a clarification as to what the roles and responsibilities are, particularly when it comes to duplication of effort.

With respect to the staffing of the program, this is generally speaking adequate for normal business operations, but he cautioned that a great many significant contracts are going to be rolling all at once, and the NPS is not really staffed to deal with that. That would create an intense

bubble and an intense requirement.

Concerning staffing weaknesses, it was found that people who have skills may not be located in the appropriate locations or staff functions. The majority of the Concessions staff are "generalists" vs. "specialists" and this may not be appropriate for the large contracts where one has to have industry knowledge or financial skills, or legal skills. However, for smaller and medium size contracts, the staffing is probably perfectly adequate providing there are controls in place.

Another challenge is that the staffing levels are controlled by Park and Regional Management. The Park and the Region drive the levels of concession staffing and there is really no clear model for what is the appropriate staffing level within the Park Service at the Park, at the Region, and at the Corporate level.

Mr. Cornelssen provided definitions of competency; observable and measurable human capabilities necessary to achieve performance, excellence, and top quality results in specific context. In terms of competencies, they have to be demonstrated through defined behaviors. The Park Service defines its own essential competencies which are a breakdown for whatever the career field is, the vital knowledge, skills and ability that one needs to have for that career field.

The Concessions Program defined its own set of competencies; knowledge of legal framework, general management techniques, accounting and financial analysis and feasibility or financial feasibility, hospitality industry knowledge, program management and communication.

In summary, Mr. Cornelssen stated he found the competency areas are appropriate for the program and comparable to what the private sector would identify for this type of fiduciary oversight role. The staff, both back in the Concessions Program and in the Park Service in general, have the strong desire to meet these competency levels. But in terms of weaknesses, their own self assessment in the program shows shortcomings in accounting, financial analysis and feasibility and hospitality industry knowledge. He suggested to expand the hospitality industry knowledge to hospitality, recreation and retail because the services involve more than just the hospitality industry, it is also recreation and retail industry.

Mr. Cornelssen noted that there was really no prioritization of competencies, nor of competencies by position, which should be in place. Another weakness is that there is no universal and consistent appraisal of the competencies; many of the position descriptions are not accurate. He pointed out that there is little opportunity

for the program as a program to formally assess competencies through demonstrated behaviors at the Park or Regional levels.

With regard to Congress= stated priority on career development and training, public law 105-391, the important points are to provide state-of-the-art management, develop comprehensive training programs for employees in all professional careers, so that professional National Park Service employees from any appropriate academic field may obtain sufficient training, experience and advancement opportunities.

Mr. Cornelssen provided graphs reflecting in which areas concession staff would like to receive additional training, as well as graphs indicating concession staff by years in the Concession program. The training that was offered in FY 2000, falls basically in two areas; training listed as offered in FY 2001, and then training identified in the 1997 Concessions Careers future report with an estimated cost of full implementation of \$ 435,000. Both Congress and the Park Service are advocating training, but the money is just not there to do so as it relates to the Concessions Program, and that is a challenge. The NPS=s corporate training budget for FY 2000 was \$ 2.5 million for central training and it does not reflect the field training.

The NPS Concessions Management Advisory Board=s staff is working on creating certification standards which is good for fiduciary oversight purposes, and then borrowing ideas from some public sector best practice in that area. This provides a very firm foundation for management in general within the Park Service or a federal agency. It could be a very important part of the career path in the Park Service.

The recommendations of the program are probably adequate to deal with the lion's share in terms of number of contracts that the program covers, but not when it comes to the large contracts. Another weakness identified was limited leveraging of existing internal and external opportunities for on-the-job training. Park staff rotation between parks and corporate industry cross training is not being maximized.

Mr. Cornelssen emphasized that the program may not be large enough to constitute a viable career field in and of itself. To create a career field out of only 250 people has to be part of a larger Park Service issue of Concessions as it relates to business management functions or a visitors services function.

The budget/resources funding program was discussed next. He noted that somewhere around a third of the budget is going towards professional services. The strength of this part of the program is that with the expansion of funding to

include 20 percent concession fees, the corporate concession function appears to be appropriately resourced on a steady state basis. The benchmarks used are basically a percentage of gross revenue or percentage of the value of the assets that is overseen. The 80 percent money has been warmly received by the Parks. There has been some policy guidance and some oversight mechanism established by Washington for this money, just as there is for the Fee Demonstration money. The Concession program's budget is vastly insufficient to deal with the tidal wave of contract roll-overs. Deputy Director Galvin and Associate Director Ring have asked PriceWaterhouse Coopers to look at that and the information as to what is the requirement to deal with that will be forthcoming.

The rolling over of these large contracts is going to be a massive undertaking in time, energy and resources. The way the private sector would review it is that one brings the absolute best people to the table in terms of technical expertise, financial expertise, legal expertise, industry expertise, to deal with these issues. That is an area where the Park Service has been underfunded to do that sort of thing. The 20 percent money is really required for corporate oversight functions. A reduction in that fee, based on a budget analysis would significantly, negatively alter the program. The 80 percent money, just as with Fee Demonstration, has created a new area or challenge in terms of program oversight, and this involves capital asset oversight.

With respect to Contract Oversight, Mr. Cornelssen brought up the fact that there are approximately 600 contracts in the National Park Service. Focusing on the top five to eight percent of those contracts, those are contracts that gross in excess of \$3 million or arguably, in excess of \$5 million. In excess of \$5 million, there are approximately 32 contracts, so the top 30-50 contracts are generating the lion's share of the gross revenue and the lion's share of the franchise fee through a financial standpoint. Contract oversight cannot be out-sourced, and it should be a park service function. The Concession staff is well versed in maintaining the balance of visitor services and resource protection. However, the organization has really been set up primarily based on a volume of contracts, not necessarily the volume of the revenue associated with those contracts. As a result, many of the big contracts do not have the appropriate expertise or experience needed. The same people who are managing very large revenue generating assets are, at the same time, generating back country operations. Both very important, both critical to the Park Service, but both fundamentally different in terms of how one oversees those kinds of programs. Improving contract oversight capabilities involves writing good contracts and having strong contract language in there that allows one to have contract

oversight. For example, instead of annual financial reporting, there should be monthly financial reporting for large contracts.

Following Mr. Cornelssen=s presentation, Ms. Bailey gave a detailed report on information technology that is in use by the Park Service and within the Concessions Program. She noted that a contract management system has been developed at the program center, as well as core accounting systems. The PMIS system is, in fact, the tool that the Parks are using to help them manage the 80 percent Concession prgrams.

Mr. Cornelssen referred to the three core management processes of the Park Service Concessions Program; the planning process, contracting and contract oversight. The planning process consists of how visitor services will be represented in a commercial context. The contracting part involves the legal framework for providing commercial services, and the contract oversight must contain certification that the contract is being upheld, visitors are well serviced, and resources are protected.

Mr. Swofford had a question about the lengths of the basic contract, (34 pages long) the Operating Plan and the Maintenance Plan on top of that, the Non-Discrimination and a few other attachments and inquired if anything else was missing.

Mr. Cornelssen explained that for the large contracts, there are missing elements. There are probably some things that need to be simplified, but there are missing elements that could and should be there when it comes to fiduciary oversight type functions.

A lengthy discussion followed on the contracting process, as well as how PriceWaterhouse Cooper arrived at their conclusions.

Ms. Bailey next talked about the legal issues with respect to real estate. She pointed out that real estate law is a specialty and that it is important for the Park Service as it looks at its own resources to make sure they look at the people in their own shop who have the greatest level of expertise as it relates to real estate assets. There are some areas within the DO Solicitor's Office that have a greater preponderance of experience in real estate vs. general law. It is important for the Park Service to contemplate how far to go and seek outside advice on real estate issues.

Mr. Cornelssen provided four different major areas of recommendations:

§ Develop new goals and objectives

- \$ Redefine management processes to address fiduciary oversight
- \$ Recommend new organizational structure to heighten strategic oversight on high value assets
- \$ develop a business-based action plan.

Under the first area, the challenges are that the NPSCP lacks clear and measurable business objectives, and the program requires and action plan. Actions needed are (1) to establish a working group to define new goals and objectives, (2) actions must be an inclusive, but efficient process, and (3) must address PriceWaterhouse Cooper recommendations, GAO and IG reports, as well as the Advisory Board suggestions.

Redefining the Management Processes to address fiduciary oversight is very important. The management processes need to be more clearly divided between the low, medium and the high value contracts. The processes lack the appropriate level of financial and industry specific guidance or expertise, and the retained fees require new management funding systems. The actions suggested are to establish higher fiduciary oversight standards that are clearly measurable for the high value contracts; refine the operating procedures to address the high value contracts/assets; and create a NAFI for concessions and other fee generating programs.

In terms of organizational structure, the challenges here are the lack of experience, education and training. The outsourcing does exist, but it's somewhat ad hoc now vs. strategic, and the major stakeholders lack information on the program. Actions involve development of some sort of an outsourcing solution or a strategic business advisory solution for development and oversight of major contracts, and create new proactive reporting relationships with the leadership of the Park Service, the Advisory Board, and Congress. It is important, legally, for the Concessions Program to go to the Hill, rather than for the Hill to come to the Concession Program asking for information.

The recommendations revolving around taking this all and putting it into a business based action plan are for PriceWaterhouse Cooper to put together a Astrawman@ proposal based on study findings; the NPSCP working group will refine objectives and plan; and NPSCP management will brief NPS leadership and Advisory Board on a recommended approach.

Mr. Cornelssen concluded his presentation with the caution that the action plan needs to be looked at for a reality check, and then, basically, the leadership of the Park Service and the Board should decide on what the approach will be and where to go from here.

Chair Naille asked what was wrong with the

organizational chart depicted on page 10 and exactly what are the recommendations to change it.

Mr. Cornelssen explained that the chart was fine for most of the contracts, because the autonomy should be placed out in the field for the smaller and medium size contracts.

For the larger contracts, this is a problem because the people in the field do not necessarily have the ability and the expertise that they need, so from a line reporting relationship, there needs to be some corporateness on the larger contracts. PriceWaterhouse Cooper was not suggesting to reorganize the Park Service for Concessions, nor to take the autonomy of running the Parks away from the Superintendents, but to give them the tools that they need to deal with these complex assets and these complex operations.

A discussion followed on how this could be best accomplished given a variety of complex situations. Chair Naille felt that there was a suggestion that a preponderant number of contracts, which are essentially small and diverse can properly and should fall under the purview of the General Superintendent, but that for the larger contracts a more centralized oversight would be more appropriate than what is existing today. Mr. Cornelssen stated that, ideally, given the number of contracts, it would be done on a corporate basis and the Superintendent has to go through the corporate structure to access it.

Ms. Baily stated that the only thing that goes to the operational issue is the contract oversight function and that the biggest area that is lacking in the three business processes, is the contract oversight process which is basically day to day operational oversight, risk, health, public safety, capital improvements, and maintenance plans.

The Concession Program is responsible for making sure those things are done and fiduciary accountability has to be there. It has to be very much a relationship where the recommendations on business functions are being made to the Superintendent, to the Regional Director, to the Director. They make the decisions and that has to be fundamental. That is part of the Park Service's corporate structure and the NPSCP's organizational structure.

Board Member Voorhees inquired if the recommendations for improvements are really dependent upon reconfiguring the organizational structure and Mr. Cornelssen explained that the approach is designed to be more pragmatic, which is taking the top 30 contracts and develop some sort of corporate support function for that. The most reorganizing would probably occur within WASO and not at the regional or park level. He pointed out that the CPC was set up '95 to be a technical resource center for the Park Service, and it has the contracting element, the operational element, appraisal, financial review and financial oversight. They

would be more operational in nature, and Washington would be more policy in nature, which in theory makes sense. The challenge is, is this center properly staffed to deal with the complexity of the issues that are out there, because this is not a line organization.

Ms. Orlando asked PriceWaterhouse to identify the positions, skills and the expertise needed for the program. What would be needed to manage the program and to be accountable for fiduciary responsibility. What is being discussed today is perhaps building on that previous strategic business piece of the program and find out if it worked and how can it be made better.

Mr. Galvin noted that four or five years ago it was part of the reorganization of the Park Service generally, and one of the theories of that, beyond Concessions Management, was that there would be places throughout the system that the line management could go to for technical expertise so that even regional offices were bifurcated into a small management staff, and then support offices. And the support offices were analogously located to field operations so that the original concept, for instance, in Atlanta was that there would be three support offices covering three geographic sub-locations. The notion was that the number of people in line management would be reduced and the amount of staff function, technical expertise, superintendents going to these support groups sounds very much like this is the application of it to the Concessions Management function.

Board Member Sakiestewa reflected that on paper there are financial services, but the chart indicates that generally people aren't using it as much maybe as they might. Has this been evaluated and if not, is it going to be evaluated.

Ms. Orlando, referring to the Program Center, explained that the original scope was intended to focus on the Program Center but would now extend to the entire program.

Mr. Cornelssen pointed out that in theory, a technical support center makes sense for this kind of a program. So then the only issue for the large contracts would be, would superintendents or regional directors have to be using the advice, or at least understand that if they don't, if they make bad decisions, there are serious consequences. That is one element that could be changed based on the Park Service's own decisions. The other issue is bringing in the best and the brightest from the private sector to do what fundamentally the private sector is best at, finance and industry knowledge and all that. So all these private sector people are hired at a 13 or a 14. They cannot go anywhere from there, there is no growth. Therefore, an expert in the hospitality industry or in corporate finance

isn't going to transition to become a superintendent. They just rotate in and they rotate out. That is the bigger challenge for the Park Service for this kind of a concept, which causes a leaning more toward an out-sourcing approach than an in-sourcing.

Mr. Galvin did not think that, in terms of where you go for technical expertise to get through a contract, there was a clear process outlined. The mission statement for the Center is the mission statement for the NP Program which is a good mission statement.

Mr. Ring indicated that there are some very good questions on the table here that just need precise answers in terms of where the corporate oversight function will be conducted that will handle these larger contracts, and where a more general training technical support function will be provided for the 92 percent of the activity that is handled in the Park. The main point is to resource them so there will be a sufficient pot of money to bring in the industry expertise is needed.

Mr. Galvin stated that assuming one would want to do one big outsourcing contract to handle these 30 contracts, this could be done out of Denver because there is very little contracting expertise in the Washington Office. All of the contracting expertise is in Denver. The oversight functions for this outsourcing would mostly come out of Denver, as well as the technical support for those oversight functions, at least the way it is organized now.

Board Member Voorhees noted that while understanding that this has to be streamlined, there is a good opportunity here to look at in-sourcing and hoped that the Concessions function is not so stultified that it creates an absolute dead-end.

Mr. Cornellsen agreed and advised that the second challenge for the Park Service organizationally is how to make that part of the organic growth pattern of the Park Service. What would be the career development path for those people. The career path for 200 or 250 people, half of which are collateral duty, is a dead-end job.

Chair Naille asked, with reference to career development and training and as far as gaining some industry experience or some insight, what would be the possibility of sending people on Park Service payroll off on some sort of sabbatical-type training with an industry like with Marriott for three or four months, or PricewaterhouseCooper. Has this been done and how does it work.

Ms. Highnote explained that back in 1991-92 when the Careers Report was being developed, that was one of the things that the group was very interested in pursuing in

terms of having folks go to the industry for three months, six months, whatever it required. When this was presented to the Solicitor's Office, the group was told not to consider that because of conflict of interest and that, if they were on the payroll, there was a legal ramification of having a government employee off-site doing training in private industry that was similar to the services that they were monitoring and having oversight responsibility. It couldn't be done with an existing Concessionaire because of conflict of interest, but it also couldn't be done with potential other industries who may eventually become contractors.

Ms. Jennings stated they had actually taken a different approach and not used official Park Service people, but looked at interns through colleges and universities and tried to set up some type of program for potential employees for the Park Service, and get them interested in doing like a three-month detail in the park, a three-month detail with a Concessionaire in a park where they are not officially Park Service employees, but where they are potential employees or potential new people to bring in.

Mr. Ring noted there is authority to get into these kinds of arrangements with the universities, for instance. The issue about a conflict might not arise, but there is another factor about the degree to which this can be done and that is a resource factor. This would be a situation where someone would be assigned to a long term educational assignment. Mr. Ring continued saying he was very pleased with the process of hearing from PriceWaterhouse and hearing from the Board regarding its perspectives related to the Concessions Program. This knowledge and counsel is needed. There is a need to have a conversation within the agency on these recommendations and to evaluate how to make them work, which ones to pick up and in what sequence, and in what priority, and how to make that work within the broader organization and in the context of the agency. He indicated they would be pulling together an Action Plan and also would anticipate putting together a group that will team up for the National Leadership Council at the agency about what should be done in a conference of near term, middle term, long term types of steps and who should be responsible for acting on those. The next steps will be to convene that type of discussion and to develop that kind of a response to these recommendations and an Action Plan, and then begin to move on it. He expressed his appreciation to Price Waterhouse for the work that they have done.

Chair Naille echoed Mr. Ring's comments and found the ensuing discussion very rewarding as it showed a total open mind and approach to everything. It is important in these meetings to create dialogue and get people thinking about ideas and ways that they can do things better.

Mr. Cornelssen indicated that, in general, most of what was presented concurred with what is the crux of the GAO Report in terms of program oversight and program requirements and changes that are necessary from an organizational perspective and from a strategic perspective.

Mr. Woodward said that the findings are consistent. The discussion is not about whether there are issues that need to be addressed, but about how to go about addressing these issues.

Mr. Cornelssen touched on and explained the issue of the non-incorporated fund instrumentality. The Board had suggested at least the consideration of the establishment of a NAFI, a Non-Appropriated Fund Instrument, for depositing and managing these fee receipts. He gave a brief overview of what a NAFI is. It is not the business of the federal government necessarily to generate revenue, although in a lot of areas of the Program, it does so. This is one tool that the federal government has brought to the table to more effectively manage these revenues. Another very fundamental feature of it is that it creates a very excellent accounting and budgeting discipline in the monies that are coming through taxpayer dollars and monies that are coming through revenue generating, fee generating issues. He cautioned about a situation where one is taking money from these fee generating activities and using it on things that would otherwise be paid for with tax dollars. NAFIs actually create walls between revenue generating functions and appropriated fund taxpayer functions. He cited Concessions and some of its fee generating programs where all the revenue from those programs are expected to pay for those programs in and of themselves. He provided several examples.

Mr. Cornellsen next addressed why this is appropriate for Concessions. For the purpose of Concessions, as well as for other fee generating activities in the parks, it is a way of leveraging the money further. Non-appropriated fund instrumentalities have proven to be about 20-30 percent more efficient, dollar for dollar, than appropriated funds. That is one benefit. Another benefit is that it creates a very nice accounting discipline and budgeting discipline. The idea is to provide as much autonomy as possible at the local level with some effective controls at the same time. That is why it probably is appropriate for Concessions. The challenge for Concessions is, as a component of all the fee generating programs within the Park Service, relatively small. That hopefully will change over time. Total Concessions are somewhere in the \$18-20 million range and for all fee generating activities in the Park Service, it would fall closer to 150. This may be a reason to do some sort of a pilot or demonstration as to the specific Park. Most of the proceeds, if not all of them, have to be ploughed right back into the assets. He provided several

examples to illuminate his explanation.

Mr. Galvin pointed out that there are certain general criteria established in the Fee Demonstration Program for what to do with the money.

Mr. Cornelssen agreed it is absolutely statutory, even with Concessions, and statutory guidelines must be followed. The NAFIs can only spend their money on certain things based on the law.

Ms. Bailey noted that in looking at 105391 and looking at the language in there as it refers to creative management and management models for managing Park Operations and Concessions, one could potentially say that there was an intent there that potentially could be piggy-backed off to do this.

A discussion evolved on how to strategically manage the assets.

Chair Naille mentioned that one of the major objectives of the recommendation of the Board was to take that interest money and use it for Concessions that bought in development. Somehow, it was thought that there would be \$3 million of interest money to be utilized for training, education, outside consulting, hiring, because that was a major objective for that recommendation, to use it for those kind of purposes, to generate more subcontracting type agreements to assist the Park Service to do some of these jobs.

Ms. Bailey thought it important to recognize that, in looking at the Concession Program now, both at the corporate, regional and Park level, the application of NAFI would be more than likely potentially occur probably at a park first. And there may not be application for a NAFI to run the Concession Program on a corporate level.

Chair Naille explained that when he made that recommendation, he was looking at it from a corporate point of view, which is why the Board is asking for some changes in the corporate structure of the Park Service to make it more of a business entity, with the recommended CFO position. The objective was to take this money from the created NAFI, so that it could be used to upgrade the entire structure of that system and then provide all the services discussed this morning.

Mr. Cornelssen advised that one of the best features of a NAFI is an ability to borrow against future proceeds. In the private sector deferred maintenance has an accelerative effect, the longer you put it off, the more expensive it becomes, both in terms of the time value of money and the continuation of that deferred maintenance. There is an economic argument to say if we do it now, not only are we

getting it done faster, but there is an actual saving of money because, it's going to cost x amount more five years from now. A NAFI is very similar to a bond concept.

Mr. Ring asked in what degree would this NAFI have to take into account the debt load that already exists from possessory interest and leasehold surrenderings and to what degree would those issues affect the ability to use a NAFI in any effective way.

Mr. Cornelssen explained that a lender would look at the Park Service as a borrower, and they would want to see balance sheets. Now there is not necessarily a balance sheet because that is for interest, but the reality is it is sitting out there as a real liability. So that would affect the loan.

Mr. Galvin stated that one of the problems in this area one might call a generic revenue generation carrier, is that the revenue is being asked to do a lot of things. From the PriceWaterhouse briefing he came away thinking that it makes more sense to concentrate on the 80 percent, which is not moveable.

Chair Naille explained that the reason to create the NAFI is to get a hold of the interest on that money so that the principal goes away every year through the normal process that is being used now.

Mr. Cornelssen explained that what Defense does is, they deposit this money in commercial interest bearing checking accounts and savings accounts, and they earn interest on the money as they wait to deploy it.

Chair Naille agreed that was the objective, to capture the interest first and earmark the interest.

Mr. Ring admitted that this NAFI might be one approach to generate a couple million dollars that might otherwise accrue to the Treasury if they held the money vs. going to Congress and saying we have this need that we need you to either fulfill out of additional appropriated funds, give us a NAFI to fulfill it, or direct us to take it out of the hide of some other program in the National Park Service which will have a significant cost. This discussion is about the debt load associated with possessory interests and leasehold surrender interests.

A NAFI could be used for the infrastructure and the developmental things that service wants to do. There are so many serious issues the Service has to deal with than any NAFI would even come close to and might make a small contribution to.

Mr. Cornelssen allowed that this budgeting tool would

probably do three things. The focus should not be on incremental money because this isn't going to add a lot other than making the Service more efficient with its revenue generating proponents. The other two things that it does is, it still is a very clean budgeting and accounting discipline that is just really easy to explain to people.

Mr. Howarth commented that the National Park Service is truly at a critical crossroads and in looking at the Omnibus Act, there are two major goals that have to be met; one is the protection of resources for future generations, etc., and the other is for services. Congress will be looking at an \$8, 5, 6 billion backload, or whatever it is for maintenance, and a shift in the concept from preserve to services for the public at large. This generates healthy discussions and questions on how to deal with this, not just the Park Service, but the also the people that provide the service.

Mr. Cornelssen explained that there is a NAFI at the Smithsonian. All the Concessions within the Smithsonian go into a central pot of money, that go back, first and foremost, for the Concessions within the Smithsonian, but then are used for other projects within the Smithsonian. He cited the Coast Guard as another good example about the same order of magnitude as the Park Service. Using NAFIs might convince Congress that the Park Service is more effectively deploying its money, at which point they say, "Hey, you know what? Maybe you do deserve more money because of what you're doing with your money. You're spending it really well."

Chair Naille noted that the basis of going more corporate was really the focus of this Board's recommendation, the fact that the Board recommended a CFO and the change in the Concessions position structure, restructuring of some of the top positions. But the idea of the NAFI was just one more technique that the Board could look at as a way of saying, "Hey, Hill, we're trying. We're trying to do something to get all the money we can." Chair Naille said he just wanted that interest money so that it could provide for more upgrading of the whole concept of making the entire Concession Program a more corporate structured environment.

Mr. Ring countered that this has to be looked at in the context of the entire financial package, both appropriated and non-appropriated, and the Concession investment in terms of dealing with the entire operation. There are choices between doing a NAFI or whether trying to solve the problem another way through appropriated funds. There would still remain problems of a significant scale that have got to be solved a different way. It seems to make sense to look at, but only in the context of going with the entire financial plan.

Chair Naille asked for input on the restructuring concept that the Board proposed with the creation of a CFO, a corporate CFO type of position, and the upgrading of the Concession Program for new associates.

Mr. Galvin replied that there were three recommendations right now for new associates; the O&B's, the International Association of Chiefs of Police recommending an Associate, and the Concessions Advisory Board recommendation for a new associate. The notion that more expertise is needed in this area and many other areas is unassailable. There's just no question that the thrust of the PriceWaterhouse Report and the Advisory Report is correct, that there is not enough expertise in these areas, and that the available expertise is not enough and more is needed maybe by some outsourcing.

Mr. Ring observed that there are a whole host of programs that are very critical in the park and within the agency. It does elevate the attention of the program, but it also takes the issue of integration of those programs into the overall mission of the agency up to a level where usually the effect is a bottleneck. There are choices about the kind of associates that raise those kinds of questions in terms of what effect they will have on the overall organization's ability to do business as opposed to just having this one program run effectively. It is important not to trade off one problem for another.

Chair Naille noted that the Board's objective was to upgrade the Concessions system. This was an avenue of looking for money. The change in the structure was designed to handle that whole entity the way a corporation would, and to set up a line and function chart within the Service that would work more like a corporate structure.

Mr. Ring thought it would be feasible to look at alternatives of applying these at the Park scale, monies going back there, at the Service-wide scale, or at the Service-wide scale not just related to Concessions.

Mr. Galvin noted that the Fee Demo principle has been very successful from a public standpoint. There has been virtually total compliance from the public about the fees and that's really where the source of revenue is. It is not isolating the Concessions revenue which is isolated by law, but the Service needs to look at that whole revenue stream and rationalize how it is spent, how it relates to the way the public is charged. There are problems in consistency, not problems that the public necessarily sees, but when going from one park to another, the rationale for the fee is why is it \$5.00 here and \$10.00 there and that isn't clear.

In that context it might very well be important to look at NAFI, Business Systems, the potential to borrow money. And

like 80/20 is a figure that really gets picked every year by the Appropriations Committee, and the law is 60/40 in the '86 Act.

Mr. Ring felt very encouraged about finding some good solutions here, but it would take several discussions like this to get there.

Mr. Cornelssen referred to the two recommendations, an Associate Director for Concessions position and a CFO position. The agency has to address those and one of the challenges is and one of the benefits of this Board, that for some of these larger issues that have significant financial and legal implications, there is a need to be able to bubble them up to the very senior levels of the Park Service. There has to be some accountability and responsibility for that.

Chair Naille wanted to know if there is a legitimacy from a business perspective to push the Park Service in such a position.

Ms. Bailey stated that in looking at these findings, particularly as relating to organizational structure, and in looking at the comments, many of them were reasonable recommendations based upon the accountability issues that were raised. From the program review it was found that there are a variety of ways in which to help the accountability issue without having to dramatically change the organizational structure. The first thing would be to figure out if the accountability can be increased on these large, high value, risky contracts, and to figure out by an organizational structure some contract oversight mechanisms to assist superintendents and regional directors in making decisions about these, and at the same time keep this healthy dialogue going on as it relates to these larger organizational issues. A quantum leap was made over the last six months in the concept of how the Concessions Program fits within the overall revenue generating concept of the Park Service.

Mr. Cornelssen explained that in looking at this from a private sector perspective, the private sector would say process, re-engineer everything, re-org, but the service is not operating in that context. Whether or not the specifics are correct or not, is debatable. The Park Service, for the Concessions Program, must create a whole new set of standards, procedures, and some organizational structure around these high risk contracts and high risk assets. And, at the same time, they must improve the training and the professionalism of the whole program. The concept of trying to leverage revenue from these fee generating activities is a Park Service-wide issue, not just a Concessions issue, but related. You don't have to separate Concessions from Fee Demonstration. They're both fee generating activities.

There are many similarities. So the Service does need to recognize these business functions. He said it definitely wasn't in PriceWaterhouse Cooper=s purview to try to solve the whole issue of business functions within the Park Service, managing off budget revenue and fee generation.

Chair Naille recommended to look further into the NAFI possibilities from all different directions, as part of the ongoing process.

### **Advisory Board Rate Approval**

Mr. Cornelssen offered general comments on a higher level of rate approval system, referring back to the issue of strategic management of large contracts. He felt that this was heading in the right direction of trying to develop mechanisms for simplifying this process and trying to maybe use good business standards to do this, but that perhaps more can be done. He provided several examples.

Ms Bailey said they looked at taking the rate approval process and were amazed at the real insight that the Concessions Program had as to the kind of dynamics that do exist in a park environment. However, if the process of getting to the end result is so detailed that it trips up the Concessionaires and trips up the folks who oversee the program, there is a problem.

Mr. Cornelssen explained that the whole issue of standards relates to pricing and pricing has to be based on the quality level. This is an area that PriceWaterhouse was not asked to look at, but it probably needs some work within the program. And that is to begin to define standards based on as many industry comparables as possible for lodging operations, for food service operations, for marina operations, based on best industry practice. And then the pricing should obviously fall out of that in terms of the comparability analysis because then one can compare against that product or that service or that quality level within a competitive set.

Ms. Bailey explained that that also ties back to the evaluations. So all of these things are critical components of the contract oversight. Pricing and the evaluations are all tied together.

Chair Naille referred to the circuit riders in this proposal and assumed that the focus on the circuit rider concept was the fact that they are utilizing this concept as expertise to assist the field. He assumed that the study will take that into account along with the organizational chart change as to whether this position should be considered.

Mr. Cornelssen said they would do that. This relates

back to that whole issue of technology because, again, to the greatest extent possible, there needs to be leverage technology on a lot of this stuff.

Ms. Bailey observed that with regard to the circuit rider concept, this is a real key issue for the regions to sit back and evaluate. It goes to this issue of having these 150 collateral duty people and what can they do and what can't they really do and how can they be supplemented with the circuit rider.

Ms. Orlando stated that the circuit rider positions were going to be WASO positions based in the regions to begin tackle the consistency and accountability issues. Every region would have at least one. That was the original thought.

With regard to the time frame on rate approvals, Chair Naille indicated that there were some concerns about holding them to a time frame for approval that was used, a three and a six-week time period whether the structure was there or it was not. The desire was to get rate approvals through on a much more timely basis than had previously been accomplished. Three and six weeks seems like an optimum solution to this problem and he invited thoughts on the time frame because of the time limits of getting rates out to the public.

Mr. Cornelssen explained the various types of pricing services available. A discussion followed on this subject.

Ms. Bailey noted that what the Concession Program probably has been doing quite well is try to develop comparables and try to develop price points to match those comparables. But what has not occurred is this idea of what does comparable mean, this whole concept of what are the average checks as a result of the comparables. What are the average hotel rates? And that's a sort of a kind of reality check on what do the rates actually equate to.

A lengthy discussion followed on how to apply and use comparables.

Ms. Orlando commented that the important issue is that the standards and the pricing and the evaluation all tie into each other. And one of the things that NPSCP is going to be tasking PriceWaterhouse with doing is exactly taking a look at some of that. It's a matter of keeping the momentum going and looking at what the private sector is doing and how one can apply some of those best practices to our own program.

Mr. Cornelssen thought this is a matter of agreeing on what the comparables are and then going out and measuring those comparables, whether that's done collectively or

independently, or whatever, it has to be verified.

A further discussion ensue on this subject matter.

### **Accountability**

Chair Naille referred to the fact that one of the previous issues before the Board was holding the superintendent accountable for the Park and then, in effect, for the Concessions Program. Much of the input that this Board received over the last year and a half has been the fact that superintendents have other priorities such as resource management and then through areas adjacent to that of law enforcement, maintenance, and everything but the Concession Management Program. The study definitely showed there to be a very serious problem. He invited comments.

Mr. Woodward said he didn't have a lot to add in terms of new information. There have been discussions about hiring strategies and training strategies and good ideas that this group came up with and has advocated in terms of bringing change to the Concessions Program. He said he liked the idea now of thinking strategically and tactically about executing some sort of strategic direction and, obviously there is not going to be a change in the accountability structure of the whole Park Service because of the Concessions Program, but what is wanted is to be able to change and to develop a strategic direction of that Concessions Program and be able to execute it. The accountability issues that were raised are an impediment to executing that. And so maybe the Park Service does not need to be reinvented here for the purpose of the Concessions Program. Maybe there is a need to think about ways to be able to tactically execute any strategic direction that comes from this group or other changes that the Park Service wants to make to improve the Concessions Program. And then, with that is a whole host of ideas, thinking in and outside the box of how do you go about doing that.

He commented on Ms. Orlando's earlier thought about WASO positions based in the regions and thought that was a good idea. Headquarters is saying this is important enough that this be done, that it is going to be funded centrally, but yet put the people out in a field location. He wondered if somehow that concept could be further explored so that the head of the program or a Headquarters function is saying, "This is important. We're going to do it."

Another concept heard today was a risk based approach. And that is you've got 30-50 out here that are important to deal with from a business skills standpoint. Those are your high risk ones. Those are the ones you're going to commit to for a period of time and have a pretty significant impact on parks. Maybe there is a need for two policies, one that handles those 30-50, and another far more simplified policy that addresses the rest. Now those are still important, but

they don't have the critical high risk business issues that the 30-50 do.

Chair Naille added that with regard to the concept of Washington paying for people in the field making recommendations, what is going to hold the superintendent accountable for paying attention.

Mr. Woodward said he did not know, but pointed out there are standards in the Park Service and in the government for the qualifications you have to have to execute a contract, not a Concessions contract, but acquisitions or a procurement contract. And yet superintendents have staff that are procurement people. There is a means to make sure that those park staff that are procurement people have the qualifications that they need to stay qualified to write contracts and it's called warranting. He did not want to suggest that warranting is needed in Concessions, but that's one way where in the Park Service and the rest of the government can agree that this is an important issue. They will require certain standards be met at a local level. If the procurement person at an individual park falls below those standards, does not maintain a warrant, they lose the authority to sign contracts. If the superintendent doesn't have somebody to execute contracts, that would be something that may impede their ability to manage their park. So in that one case you've changed the dynamic to the fact that now it's in the superintendent's interest to make sure that person remains at the appropriate skill level to execute contracts.

A lengthy discussion followed on this subject matter.

Chair Naille referring to one of the recommendations, which is to get the superintendent through a training program of Concession Management for Park Superintendents, to include Concession contract analysis, operational budgeting, operational financial analysis of capital project evaluation, asked if one could learn anything from it and would this idea be received well by superintendents in general.

Mr. Wenk commented that he took a course shortly after becoming a superintendent and though it was a valuable course.

Mr. Cornelssen suggested adding a module on in terms of Concessions management. He added that there is a mechanism for the director to approve contracts over a certain amount of money. The way the program is resourced right now is that there is not an opportunity for that individual to get some outside thoughts or ideas. Strategic management and oversight is necessary because of legal implications. Decisions that are made in the park that have an effect on the whole Park Service can be very negative and far

reaching. Superintendent may make a very prudent decision for their park that has significant negative implications for the Park Service.

Mr. Woodward suggested that some of the subjects under discussion may require some cultural change in terms of the issues that were raised in his report, which was that there was no means for the Agency to figure out if there was a Concessions Program that was being run under par. The report suggested that, similar to what industry will use in terms of independent inspections being done, this would provide some information on the conditions of the programs by which the Agency would then have a means of holding superintendents accountable for the condition of the Concessions Program in their park. That may go against the culture of the Agency in terms of a culture that kind of says, "Hey, the superintendent, this is his or her operation to run as successfully as they can." But yet there needs to be some sort of a feedback mechanism, particularly if you have a sense that in some cases you're going to have some programs that need some attention because they're not getting the attention at the local level. So to some extent, maybe some of this will involve cultural change.

Chair Naille expressed appreciation to Curt and Margaret from PriceWaterhouse Coopers for their work today and thanked them for their insight and guidance. He also thanked Ned Woodward for his insight and guidance, which definitely helped the Board.

The meeting was adjourned until Thursday, February 22, 2001 at 8:30 a.m.

#### **Thursday, February 22, 2001**

Chair Naille called the meeting to order at 8:30 a.m. and asked the audience for any last minute questions, ideas, answers to any of the subjects discussed at yesterday=s meeting.

Additional audience:

Emogene Bevitt with the American Indian Liaison Office of the National Park Service  
Ken Van Wey, Indian Arts & Crafts Board  
Iantha Gantt-Wright, Director of Enhancing Diversity for the National Parks Conservation Association.

Ms. Highnote indicated she would like to know if there were going to be further discussions on the NAFI proposal.

Chair Naille replied that these are basically recommendations that should be looked into. As in all concepts or visionary ideas, they should be looked at from every perspective and sorted out, making sure they're going

to be something that's workable. The idea of a NAFI, at least for the Park Service, would be an innovative concept.

PriceWaterhouse Coopers has been asked to look further into this. They've helped the Board all along on this concept.

Chair Naille next described today's session on Handicrafts with Ramona Sakiestewa leading the discussion. The idea of the discussion today is to develop an agenda of things that the Board should be looking at; ideas that it should think about, avenues that should be taken in the Handicraft arena.

#### **Formulation of Handcraft Workplan.**

Board Member Sakiestewa referred to a new book out called The Arbitrary Indian that really illuminates the Indian Arts and Crafts Act of 1990. The book contains the statute thoroughly and it talks about labeling and authenticity, a fairly complex issue. Ms. Sakiestewa stated she obtained the standards and guidelines. She also obtained a brochure from the Indian Arts & Crafts Board which she found somewhat disappointing. There are issues of organization which are slightly different than what the park Concessionaires or the NPS would want to promote in that their crux and interest is in some types of preservational kinds of crafts, traditional techniques, traditional style of work, and contemporary work. Ms. Sakiestewa went on to describe the requirements and qualifications necessary for the recognition of Indian art and crafts.

There are guidelines already in place for marking merchandise with interpretive labeling or for including other information to indicate how the merchandise is relevant to the Park's interpretive theme. To arrive at a cohesive way of handling these guidelines, the Board should express what its expectations are and what the expectations are from the Concessionaires. It is important to the Native American community to know that silver earrings for sale in a concession shop are, in fact, made by native Americans when a card says "AIndian made" and not by some wholesale jewelry makers, for example. The Hopi people don't like Navajo or other non-Indian people making Kachina-like dolls that are sold and there has been some wrangling over this over the years.

Board Member Sakiestewa noted that there are a couple of stores selling things that wouldn't be the criteria for museum organizations, and their mission is really trying to keep tradition alive, but they might meet the Park Service criteria. That really depends on where the Park wants to go. In putting this together to provide more information to the Board, Ms. Sakiestewa indicated she needed more information about what the Board will need and what it is looking at, what the problems have been, and what the guidelines of parks are.

Ms. Poole stated that one of the fundamental issues, obviously, is going to be the franchise fee exemption paralleled with the selling of authentic handcrafts. In some parks that exemption is very significant and so this becomes a two-fold issue where you really want obviously the best merchandise, which is authentic Indian craft. However, that also at times does translate to a loss of revenue to some degree. That, in fact, translates to 80 percent money because in some parks that's sometimes half their annual gross receipts. She thought it would be very important to look into that.

A discussion followed on the definition of Ahandcraft,@ and what a certificate of authentication should identify.

Ms. Orlando stated that the statute calls for the Board to identify the nature and scope of products which qualify as Indian, Native, Hawaiian, or Alaskan Native Handcraft. That is the charter. What Board Member Sakiestewa is saying, is that for the Board to do that, it would first have to have a lot more information to even make that determination. Based on what was discussed yesterday, no one probably has the qualifications in the field to make that determination and so it enters into that larger business strategy. Maybe it should be the responsibility of the Concessionaire to make the verification. Maybe that's one way to go. The matter before the Board today is to outline what the issues are so that this task can go forward to comply with the statute and so that the Board can respond to what Congress has asked them to do.

A discussion followed on this subject, followed by an explanation by Ms. Sakiestewa with regard to the complications involved in Indian artists= registration by their tribe.

Ms. Watson brought up the fact that the merchandise standard states that vendors and Concessionaires are encouraged to contact the Indian Arts Board's Crafts or regional or local crafts for authenticity certification. The standard does address not only the labeling, but in terms of some sources that the Concessionaire should be using if they don't have the expertise in-house.

Board Member Voorhees stated that in order to achieve the goals here, one would have to look at this from the perspective of the Concessionaire. Is it going to make the Concessionaire people more responsive to bring in Native American artifacts. A lot of these places probably don't have any problem selling shot glasses and spoons, and all that sort of thing. So for many of them, it's not a cultural issue, it's an economic issue.

Ms. Orlando said that the other part of the equation is that standard of consistency, plus the fact that cooperating associations are getting into more of that part

of the merchandise business which is causing some conflict. The issue is huge.

Mr. Gomel suggested bringing in maybe one or two Concessionaires and go over what the obstacles are and what the market like. And have them come in and go over the pros and cons of trying to get that type of merchandise.

Ms. Orlando advised that the Board typically puts a workgroup together and to include a Concessionaire or two is a great idea. In terms of the economic issue, and looking at the summary of the sales, it appears that about 50 Concessionaires a year have traditionally claimed the deduction, and about eight Concessionaires account for over two-thirds of the total dollar sales excluded. It might be part of the larger business strategy to maybe incorporate this handcraft piece into the bigger business process that the Board is trying to define, rather than separating it.

Chair Naille inquired if there had been a problem from a Concessionaire point of view on how the Park Service was dealing with the issue on the acceptance of handicrafts.

Mr. Hyde explained that there were a couple things that were going on. There had always been a problem with the authentic issue and also a problem with what really is a handicraft, about what is acceptable and what is not. Fees to the government were cut and that is the reason why they took it out of the contract language, although probably no new contract was ever written without the language. But the pressure was on because it cut into the receipts to the Treasury and they didn't feel it was worth it. Then Congress came along and said, "Well, it is worth it, and you do it!" And so everybody is back to doing it. \$50 million a year is not being returned to the government, so that was obviously their concern.

A discussion followed on the interpretation and identification of folklore and handcraft vis-a-vis machine made.

Mr. Bennedetti supplied information on converting Concessions to Cooperating Agreements in which the Park gets nothing, including many items which under a Concessions contract would provide for a franchise fee.

A further discussion ensued on the new law and new contract language, causing the transitioning from old contracts to new contracts.

Another matter discussed was the sale of merchandise not relevant to a particular park=s theme. Ms. Poole provided an anecdote about a park in South Dakota, the Badlands next to the Pineridge Reservation, where they had a lot of Southwestern jewelry. And over the last couple of

years, the tribe and the park have worked together to tighten that up to really just sell some of the Lakota and Sioux native hand crafts. The franchise fee exemption from that perspective went from about \$400,000 to \$23,000, which was fairly significant, but they still wanted to get rid of some of the Southwestern jewelry. And a lot of the visitors are asking, "Well, why don't you have that stuff anymore? You know, we liked that, but we can't always go down to Santa Fe or Arizona. So that's been an issue there and where there is some pressure to put some of that jewelry back. The gift shop mission statement language is starting to talk about educational and thematic, and the cooperating associates are saying that these terms educational and thematic are used quite a bit now in the concession language.

Ms. Orlando noted that, on the other hand, the Concessionaires are concerned because some of the cooperating associations are selling what appear to be commercial items that they shouldn't be selling. That's a whole other issue. The Board is not only charged in the statute with trying to define it, but it has to promulgate regulations. The regulations for handcraft have not been done yet and that task will follow once the Board offers what this definition should be.

Chair Naille stated he liked the idea of at the next meeting bringing Concessionaires who deal heavily in this and some that deal lighter, but specifically in it. He suggested that a task force be put together above Park Service personnel and Concession personnel in the retail areas, to work together prior to the next meeting and put together ideas and concepts for the Board. He said he wanted to hear the actual field problems from the Concessionaires on this in order to get a handle of where that's coming from. The Board could adopt a mixture of all the different arts and crafts associations, guidelines, and museum guidelines. They could all be combined and come up with a final version. The only thing that would be exempt is something that has a tag with an individual's name and an interpretive part on it which is already being used. Then that, in tandem with the guidelines should go a long ways in solving the problems.

There are other issues here and one of them is how to push the sales or the merchandising side. The fee adjustment is the encouragement for the sale of Native American handicrafts.

Ms. Orlando pointed out that the management policies encourages it. The law encourages it as well. Obviously, there was a backlash when the franchise fee exemption was removed. The law was a bipartisan effort at reaching consensus in certain arenas, and it's back in. But it's specific now to the four cultural groups.

A discussion followed at this point on this issue, culminating with Chair Naille asking if the Board should encourage the exemption on all handicrafts or could the Board make a recommendation to extend this beyond the law.

Chair Naille further suggested that the Board should look at the idea of recommending a change in the law if that's what needs to be done because there's an unfairness factor here with the Southeastern art guilds and things like that.

Ms. Orlando thought that staff could also research the legislative history on this piece of the issue and see what it can find and what kind of dialogue went on since none of the staff were really involved.

A further general discussion about this subject followed.

Chair Naille concluded that he was going to look at it from a different point of view in that the spirit of the law is going to encourage and benefit handicraft artisans without any discriminating contest whatsoever.

Iantha Gantt-Wright stated she would like to see more handicrafts of the United States, especially at the local areas. She pointed out an element missing in this equation, and that element would be the development of some local handicraft artists. She suggested that people who design and market merchandise, come up with something that would be an inexpensive item that the Lacota people could then hand carve, looking within traditional motifs or whatever, so that there would be something available that would be interesting and that would benefit the park, that would benefit the local artisans, and it could be in cases like Appalachia or the Blue Ridge where the artisans could be African American, could be Indian, but wouldn't be necessarily limited to any one ethnic group.

Board Member Sakiestewa thought this to be an interesting perspective and asked for input from the Concessionaires or anybody at a park.

A discussion about this subject followed with several members of the audience offering ideas and suggestions.

Ms. Sakiestewa continued with her presentations and invited opinions about other locations that should be seen by a task force that would be worth their while to know about or problems that exist. Several locations were proffered.

Chair Naille asked for ideas for further discussion and the authenticity and the labeling standard was brought up.

Ms. Highnote advised that part of the evaluation procedure of the gift shop is verifying the authenticity records that the Concessionaire is getting from their vendors and their buyers. And the labeling is supposed to identify who the craft person was and if it's an Indian, what tribe, and some history about that. There should be assistance with helping the evaluation process of the tagging.

A discussion on this subject followed.

Board Member Sakiestewa invited comments from Mr. Van Wey, who indicated he brought along additional copies of the brochure, the 1990 Act, the regulations that are in place as published in the Federal Register from 1996 to implement the 1990 Act, which do include definitions for Indian made and hand crafted items that the Board uses; that "Indian Made" just means an Indian made it, but "Indian Hand Crafted" has a more definite meaning.

Mr. Van Wey further advised that as far as enforcement goes, he would have no investigative authority, so they do rely on complaints that come in.

Ms. Sakiestewa acknowledged that this the problem in New Mexico with the State Attorney General's Office, and it's really difficult, and that's why a lot of these museums having taken the trouble to have particular standards that address sensitive materials and types of manufacture. It does not seem to be the Board's mission, that there's a sort of broader statement that this recommends to the Concessionaire; and that it's between the Concessionaire and the individual artist.

Board Member Norman asked if all of the arrangements that exist in terms of the gift shops in one way or another come under some kind of agreement where there is an operating agreement, a cooperative agreement, or a contract agreement. And do each of these agreements specify in terms of what it is and the requirements were for tagging, etc.

Ms. Watson agreed that there possibly should be an operating plan for the tagging.

Board Member Norman stated that it can come down to a simple matter of contract compliance. And if it's a matter of contract compliance, then clearly the person who is doing the certification that he or she meets whatever the tag requirement, and the one who accepts it is there, and then the rule of the National Park Service would be to ensure that there is contract compliance. Why would it be perceived any other way.

Ms. Watson note that this is contract compliance and that is a part of the contract requirements. But when the Indian Arts and Craft Act came out, you had to ensure that

any hand craft that's being sold out there is authentic, because then you can be prosecuted if someone files a complaint and it's found out that it's not authentic. And there's a steep fine. She was not certain who would be fined, the Board or the Concessionaire.

Board Member Sakiestewa thought that the fine would be levied against the individual selling it, which would be the Concessionaire, however, it is not clearly defined as to who the responsible party would be.

Ms. Orlando had a question about non-recognized tribal designations and how that is covered under the law in terms of the sovereignty issue.

Mr. Van Wey advised that if they're in a non-recognized tribe, then there's no federal sovereignty issue. Under the Arts and Crafts Act, if you sell your product as Indian made, you have to be an enrolled member of a federally recognized tribe, an enrolled member of a state recognized tribe, or a certified Indian artisan, which is a non-member Indian artisan certified by an Indian tribe. So if you're not one of those three categories, you cannot sell your work as Indian. You can represent yourself as of heritage of whatever tribe it is. If that's the case, you can represent it as Indian style, but you cannot use the unqualified use of the term "Indian" or of a particular Indian tribe in reference to that art or craft product. The Act does contain a provision for tribes to do that.

Ms. Orlando suggested to tie the verification issue into the strategic business process thinking, and looking at actually more than once a year annual financing reporting, or tracking almost monthly. There are ways to build in some controls into that process, at least in terms of the verification. That's all the Concessionaire's responsibility. So they're already verifying it when they purchase. And if they're taking the exemption, they have to show you the authenticity.

The concessionaires should also know about OSHA laws and safety laws and everything else, however, Ms. Orlando felt that the Board has the responsibility to make sure that they get all the most current information on these issues.

Chair Naille stated the Board would ask for this task force to be put together and start to put together the information that the Board is looking for and to do a presentation at the next meeting so that the Board can formulate something with a working document. And that task force will hopefully be made up of possibly members of the Board, Park Service personnel, of course, Concessionaires.

The next meeting is scheduled for the week of the 28th of May and the Chair asked for any suggestions, to present them now or send them to the Board for topics for discussion

at the next meeting.

**Adjournment**

The meeting was adjourned at 3:00 o'clock p.m.