National Park Service

Concession Fees and the National Park Service

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Pacific West Region Concessions Program

The Pacific West Concessions Program at a Glance

- Oversees 73 concession contracts in 27 National Parks in Washington, Oregon, California, Nevada, and the Pacific Islands
- Services include lodging, food service, marinas, horseback riding, retail, ferry transportation, and guided mountaineering
- Gross receipts vary from low of $1000 to high of $120 million
- Companies vary from “mom and pop” to multi-national corporations

Fees paid to the National Park Service

- National Park Service receives a “franchise fee” from the concessioner
  - The consideration paid for the privileges granted by a concession contract
- Additional money set aside in an improvement account – held by concessioner, spent for park
  - These accounts are being phased out
- “Rent” charged to concessioner for use of government owned facilities
  - This is also being phased out
- Working to roll up all fees into the franchise fee
- Also require concessioners to have a Repair and Maintenance Reserve to invest in facilities




Determination of Franchise Fees

- Upon contract expiration a Franchise Fee Analysis is conducted
- Based on “a *reasonable opportunity for net profit* in relation to *capital invested* and the *obligations of the contract*.”
- “Consideration of revenue to the United States shall be subordinate to the objectives of protecting and preserving park areas and of providing necessary and appropriate visitor services at reasonable rates.”

What Affects the Franchise Fee?

- “Reasonable opportunity for net profit”
  - Determine an Internal Rate of Return for the contract
    - Market Analysis
    - Operational Risk
    - The “NPS Factor”
  - Take into account the park’s desires
    - New construction/investment
    - Increased environmental commitments
    - Other park needs which might make the business less efficient
- Whatever is left over is paid to the NPS

Alcatraz Ferry Example

- Contract originally issued in 1984 for 15 years but was extended due to regulation changes
- Contract paid a franchise fee of 15.4% of gross receipts to the NPS
  - In 2005, paid $2 million on gross receipts of $14 million
  - Higher than many NPS contracts

Alcatraz Ferry Example

- NPS Franchise Fee Analysis determined a new fee of 21.5% - 6% higher.
- Why so much higher?
  - NPS now uses financial hurdle rates closer to the market
  - NPS no longer has a preferential right of renewal
  - Old contract required concessioner to transport fuel and water for NPS, new did not
  - Ticket price increase approved based on similar services in the market




Alcatraz Ferry Example

- Fee could have been even higher
  - NPS desire for healthier snacks on snack bar
  - NPS desire for cleaner engines (Tier 2 emissions)
- Setting rates based on comparability, not demand

Questions?