20), is entitled to be given preference in the renewal of the contract and in the negotiation of a new contract, providing that the existing concessioner submits a responsive offer (a timely offer which meets the terms and conditions of the Prospectus). This means that the contract will be awarded to the party submitting the best offer, provided that if the best offer was not submitted by the existing concessioner, then the existing concessioner will be afforded the opportunity to match the best offer. If the existing concessioner agrees to match the best offer, then the contract will be awarded to the existing concessioner.

If the existing concessioner does not submit a responsive offer, the right of preference in renewal shall be considered to have been waived, and the contract will then be awarded to the party that has submitted the best responsive offer.

The Secretary will consider and evaluate all proposals received as a result of this notice. Any proposal, including that of the existing concessioner, must be received by the Regional Director not later than the sixtieth (60th) day following publication of this notice to be considered and evaluated.

Dated: December 16, 1994.

Chrysandra Walter,

Acting Regional Director, North Atlantic Region.

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Concession Contract Policies

AGENCY: National Park Service, Interior.

ACTION: Notice of Intent.

SUMMARY: The National Park Service (NPS) is undertaking a review of its policies concerning concession management activities. Pending completion of this review, the following interim measures are under consideration. Particularly, NPS proposes to amend several specific policies regarding concession contracts as follows: (1) Its current system for determining concessioner franchise fees by eliminating a policy which indicates that a concessioner's franchise fee usually should not exceed 50% of the concessioner's pre-tax, pre-franchise fee profit; (2) eliminating the policy that provides that franchise fees should not be collected with respect to the sale of Native American handicrafts; and (3) revising portions of the NPS rate approval system. Although not required by law to seek public comments on these policy amendments, NPS will consider all comments received in a timely manner in its final decisions on these matters.

COMMENT DATE: Comments must be received on or before February 16, 1995.

ADDRESSES: Comments should be made to Robert Yearout, Chief, Concessions Division, National Park Service, P.O. Box 37127, Washington, D.C. 20013–7127.

SUPPLEMENTARY INFORMATION:

1. Franchise Fees

On December 31, 1986, NPS adopted a system for determining concessioner franchise fees to be used in awarding new and renewed concession contracts and for renegotiating franchise fees under existing contracts. The system generally calls for estimating concessioner returns on gross receipts and equity and then making a judgment, in part by comparison to returns in similar businesses, as to what level of franchise fee would allow the concessioner a reasonable opportunity to make a profit. An overriding policy in this regard is that, by law, consideration of revenue to the United States from franchise fees is subordinate to the objectives of providing appropriate service to park visitors.

One element of the current system is a policy which states that generally a franchise fee is not to be established which would exceed 50% of the pre-tax, pre-franchise fee profits of the concessioner. Experience has shown that this policy lacks a sound basis, and, in fact, favors the more profitable concessioners. In one case, an NPS franchise fee has recently been calculated at 12.7% of gross receipts from 18% upon application of the 50% policy. The difference over a five year period is estimated to be $1.8 million (money not to be paid to the United States). Another actual example is an NPS franchise fee that was calculated at 8%, reduced from 14% upon application of the 50% policy. This resulted in a possible five year loss to the United States of over $500,000.

Accordingly, NPS proposes to eliminate this policy (as now stated in NPS–48, Chapter 24) so that franchise fees may in all cases exceed 50% of pre-tax, pre-franchise fee profit where such a fee is otherwise consistent with a reasonable opportunity for profit and the objectives of providing adequate and appropriate service to park visitors. This policy, when finalized, will apply to all new concession contracts and all franchise fee reconsiderations not yet completed by a formal contract amendment.

2. Native American Handicrafts

For many years, NPS has had a policy which excludes from franchise fee computation the proceeds to concessioners generated by the sale of Native American handicrafts. The purpose of the policy was to encourage the sale of such handicrafts by making their sale more profitable to concessioners. However, experience has shown that concessioners generally are not encouraged to stock and sell more Native American handicrafts as a result of this policy than they would in its absence. Consequently, the exemption from franchise fees constitutes a windfall to concessioners with no overriding benefits to Native Americans.

According to a recent report from the Department of the Interior Inspector General, this exemption reduced NPS franchise fee revenues by over $2.7 million from 1988 through 1992 from 55 concessions in 43 parks. In addition, the Inspector General criticized NPS for not adequately monitoring merchandising procedures with respect to sale of Native American handicrafts and stated that NPS personnel often did not have the expertise to verify handicraft authenticity. The Inspector General recommended the elimination of the policy of exempting sales of Native American handicrafts from franchise fee calculations.

For these reasons, NPS intends to eliminate this exemption from the Standard NPS Concession Contract and to remove it from Chapter 10 of NPS Management Policies.

3. Rate Approval System

Under § 3(c) of the Concessions Policies Act of 1965 (16 U.S.C. 20b(c)), NPS determines the reasonableness of a concessioner's rates to the public, unless otherwise stated in the contract, primarily by comparison with those current for facilities and services of comparable character under similar conditions, with due consideration for length of season, provision for peakloads, average percentage of occupancy, accessibility, availability and costs of labor and materials, type of patronage, and other factors deemed significant by the Secretary. In addition, NPS exercises its authority with respect to concession matters, including rate approvals, in a manner consistent with a reasonable (and, concomitantly, not unreasonable) opportunity for a concessioner to realize a profit on its operation as a whole commensurate with the capital invested and the obligations assumed.

The NPS rate approval system is contained in Chapter 18 of NPS–48.