

National Park Service
U.S. Department of the Interior
Commercial Services Program



The Price is Right- 2017 Rate Administration Guide

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Items for Discussion



- Rate administration overview
- 2017 Rate Administration Guide updates, including:
 - Expanded use of CMD
 - New “core” methods
 - Industry updates

Why Do I Have to Do It?



- It is a statutory requirement to establish reasonable and appropriate rates (*PL 105-391, Sec. 406*)
 - *The Secretary shall approve rates and charges that the Secretary determines to be reasonable and appropriate...*
 - *...the reasonableness and appropriateness of rates and charges shall be determined primarily **by comparison** with those rates and charges for facilities, goods, and services of **comparable character** under similar conditions*





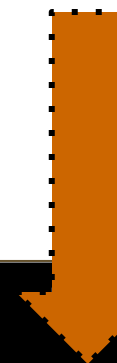
Why is it Important?

- Legally required
- Ensures concessioner rates to visitors are reasonable
- Ensures a consistent Service-wide approach
- Produces defensible results that are valid and reliable



Where Do I Find the Rate Guide?

- Concessions.nps.gov
- “Concessioner Tools” tab



The screenshot displays the NPS Commercial Services website. The header includes the NPS logo and the text 'NPS Commercial Services'. The navigation menu has tabs for Home, Management, Regulations, Prospectuses, Authorized Concessioners, Concessioner Tools (highlighted), and About Us. The main content area is titled 'Concessioner Tools and Information' and provides guidance materials for concessioners. A 'Helpful Links' sidebar is visible on the left. The 'Rate Administration' section is highlighted with a box, listing two items:

- 2017 Markup Percentages (PDF 176 KB)
- 2017 Rate Administration Guide (PDF 551 KB)



Rate Administration Roles

- NPS analyzes and sets base rates and rate method in draft contract
- Concessioners request rate increases and may request rate method changes
- Parks conduct rate studies, assesses rate requests and rate method change requests
- Superintendents approve rate requests and rate method changes
- Regions support parks and manage appeals
- WASO develops new policy, promulgates indexes/guides, supports parks/regions and provides technical assistance



Rate Administration Updates

- “The approval process...shall be as prompt and as unburdensome to the concessioner as possible and shall rely on market forces...to the maximum extent practicable.”
- Updates focus on:
 - Simplifying
 - Reducing approval requirements
 - Consideration of market forces where possible

Rate Guide Updates - 2017



- Prospectus Development
 - New rate study
 - Document results in operating plan



2.1. Baseline Rates

During prospectus development, NPS personnel (park, region or WASO) or hospitality consultants should use their expertise to conduct a comparability study, including an initial analysis of:

- Types and category (i.e., classification level) of services.
- Applicable rate methods.
- Potential and actual comparables.
- Appropriate rates.

The results from this analysis are incorporated into the concession contract operating plan to establish the applicable rate methods, comparable operations, and approved rate schedules for the first year of the contract (or multiple years of the contract if an indexing method is used). The consultant or NPS personnel will also use this information in the prospectus financial analysis.

Rate Guide Updates - 2017



- AOR Requirement
 - Minimum rating of satisfactory

Annual Overall Rating Requirement

Concessioners should not receive approval for a rate increase if they have an Annual Overall Rating (AOR) score of marginal or unsatisfactory. Such scores represent failure for the concessioner to substantially meet visitor service standards and/or administrative requirements. Exceptions may be granted by the Superintendent if the concessioner demonstrates rates are significantly below market pricing; however, even in these circumstances, approval for the full request to bring them to an industry standard should not be provided until the concessioner's performance is improved to satisfactory.



Rate Guide Updates - 2017



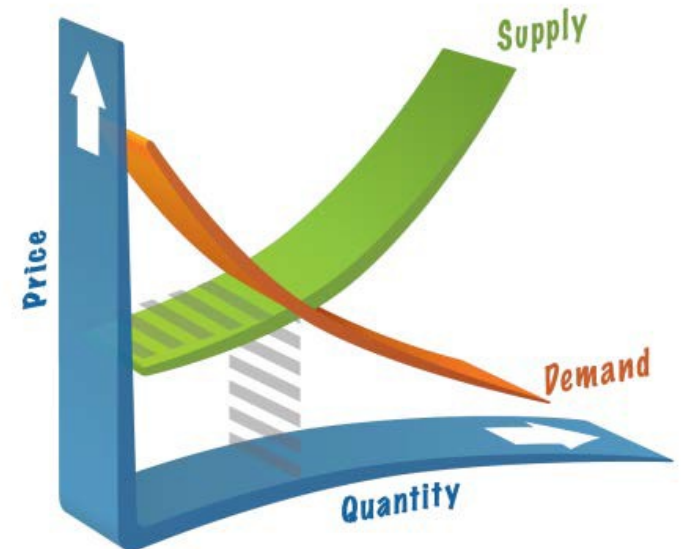
- Preferred Rate Methods
 - Promotes simpler, more flexible methods

SERVICE TYPE	APPROVED RATE METHOD(S)	
	Preferred	Alternative
Lodging	Core (Room)	Direct Comparability Financial Analysis Competitive Market Declaration
Food & Beverage	Core (Menu)	Direct Comparability Cost of Goods Competitive Market Declaration
Retail- Convenience	MSRP/Core Markup	MSRP/Full Comparability Competitive Market Declaration
Retail- Merchandise	MSRP/Competitive Market Declaration	Direct Comparability
Fuel	Direct Comparability	Fuel Markup Competitive Market Declaration
Other Services	Core (Services)	Direct Comparability Financial Analysis Competitive Market Declaration

Rate Guide Updates - CMD



- Increased use of Competitive Market Declaration (CMD)
- Things to remember:
 - Not appropriate everywhere
 - Must be **documented** and **signed** by the Superintendent
 - Reviewed annually
 - Rates must be monitored
 - Can be discontinued



Rate Guide Updates - Core



- Addition of Core Services method
 - Similar to core menu- “core” service rates set via comparability, “non-core” service rates set via CMD
- Example: Boat Tours

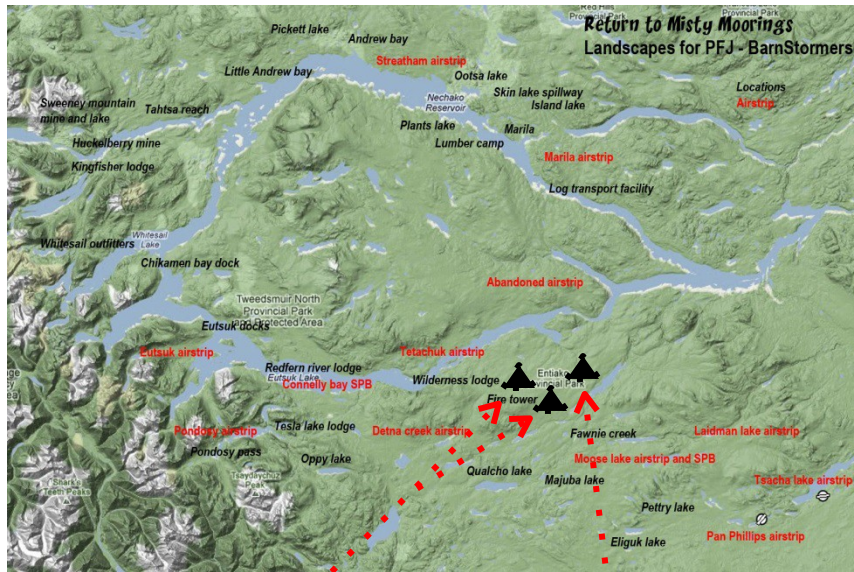
Trip A	Trip B
Most popular trip	Low demand
85% of Bookings	15% of bookings
Offered twice daily	Offered once week
CORE SERVICE	NON-CORE SERV



Rate Guide Updates - Core



- Example: Core Room - lodge and cabins



Core

Non-core



Core

Non-core

Rate Guide Updates – Industry Updates



- Use of chain establishments as comparables
 - Not preferred
 - Should not comprise more than half of your potential comparables
- Minimum length of stay restrictions
 - Allowed if comparables have similar restrictions
 - Concessioner and park should work together to determine reasonable approach



Rate Guide Updates – Industry Updates Cont'd



- Third party sales, travel agencies, intermediaries
 - Concessioner are allowed to use these services
 - Must sell rooms/services at (or below) the NPS-approved maximum rate
 - Any service fee or commission must be included in the rate

- Volatile fuel prices
 - New fuel markup method



Questions?

