United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Oversight of Government Management and the District of Columbia, Committee on Governmental Affairs, U.S. Senate

April 1996

CONCESSIONS CONTRACTING

Governmentwide Rates of Return

G A O 75 years 1921 - 1996

GAO/GGD-96-86

GAO

United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-260029

April 29, 1996

The Honorable William S. Cohen
Chairman, Subcommittee on Oversight
of Government Management and the
District of Columbia
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This report responds to your request that we determine (1) the extent of concessions operations in the federal government;[1] (2) the rate of return to the federal government from concessions operations and factors that affected the rate of return; (3) how the federal rate of return from concessions compared to rates earned by other governments; and (4) the extent of agencies' income-generating operations that were not concessions and whether they offered opportunities for the agencies to handle them as concessions.

This report provides the detailed information on data collected from 75 federal executive departments and agencies, including 1 Department of Defense component—the Department of the Army Corps of Engineers. We used three questionnaires to collect both general data on agencies' total concessions and detailed information on each of the concessions agreements that agencies either made or extended during fiscal year 1994.

Results in Brief

Twenty-seven of the 75 federal departments and agencies surveyed reported that they had concessions agreements during fiscal year 1994. Forty-two respondents (agencies or agency components) reported that they managed concessions programs. They reported that they had 11,263 concessions agreements in fiscal year 1994. The 6 land management agencies reported that they had 10,427 (over 92 percent) of these agreements.[2]

The reported gross revenues from concessions were $2.2 billion in fiscal year 1994. However, because agencies did not collect gross revenue data on all concessions, particularly those concessions where the

[1]Concessions are generally businesses that use a government's property to provide services to the general public or specific individuals and share the profits with the government.

[2]The six land management agencies are the Department of the Army Corps of Engineers; the Department of the Interior's National Park Service, Bureaus of Reclamation and Land Management, and the Fish and Wildlife Service; and the Department of Agriculture's Forest Service.

concessioners paid a flat fee to the government, agencies did not know the gross revenues of all concessioners operating on federal property.

Agencies reported that concessioners paid the government $82.5 million from their concessions revenues in fiscal year 1994, including $64.6 million paid to the government as concessions fees and $17.9 million that concessioners deposited into special accounts for repairs and improvements to facilities on government property. Agencies also estimated that concessioners provided an additional $4.7 million in nonfee compensation by maintaining government property in lieu of, or along with, making payments to the federal government on concessions.

From financial information reported in our questionnaire, we computed that the government earned a 3.6 percent rate of return on concessioners' gross revenues from agreements either initiated or extended in fiscal year 1994.[3] The rate represents the percentage of reported concessioners' gross revenues received by the federal government. Analysis of the reported information also showed a rate of return of 2.8 percent for the six land management agencies' concessions and 9.2 percent for nonland management agencies' concessions.

Other governments we surveyed, including those of Canada, California, Maryland, Michigan, and Missouri, reported receiving on average a 12.7 percent rate of return on a range of concessions that were similar to those reported by the federal agencies. The four states reported receiving between 11 and 17 percent rates of return from their concessions, while Canada's reported overall rate was 9.8 percent.

Questionnaire data showed that competitively awarded agreements for which fees were considered in the competition had higher rates of return than those that were not competed. When the federal agencies reported that they competed fees for concessions agreements, the rate of return was 5.1 percent, compared to a 2.0-percent rate when agencies reported that they did not use competition. All four states and Canada said they generally competed their concessions agreements.

Nonland management agencies reported both revenue and fee data for 101 agreements initiated in fiscal year 1994 and reported that they competed

[3]Because agencies did not collect revenue data on all concessions, we calculated the rate of return for only those agreements for which both revenues and fees were reported. We used the detailed information agencies provided on agreements that were either made or extended in fiscal year 1994. From this reported information, we calculated the rate of return by dividing gross revenues into the sum of (1) the fees and (2) amounts deposited into concessioners' special accounts.

96 percent of them. For the same period, the land management agencies reported both revenue and fee data for 2,133 new agreements and reported that they competed 8.6 percent of them. Most land management agencies generally have discretion whether to compete concessions agreements. While legislation governing National Park Service concessions requires competition, it also limits such competition by giving existing concessioners preferential right of contract renewal. Also, according to agency officials, some concessions are just not conducive to competition, such as certain ski areas where major portions of the operations are located on private land. In these situations, the federal government's land is usually needed to complete a service, such as adding a ski lift or extending a ski lift to the top of a mountain.

Analysis of financial data reported in our questionnaire showed that agencies' authority to retain and use concessions fees also contributed to the government's rate of return. The rate of return on agreements where agencies reported that they were allowed to retain over 50 percent of the fees was 3.3 times the rate on agreements where agencies reported that over 50 percent of the concessions fees was to be deposited into the Department of the Treasury as general miscellaneous receipts.

Twenty-nine of the 75 agencies said they received $20.5 billion from other income-generating activities that were not concessions in fiscal year 1994. The reported activities ranged from the sale of hydroelectric power and patent information to the collection of user and entrance fees. Eight of the agency components said that activities with revenues of about $175 million could be handled like concessions. However, agency officials said because of security and privacy concerns, most of the activities were not conducive to concessions operations.

Background

For the purpose of this assignment, we defined "concessions" as private or public entities using federally owned/leased property under a government contract, permit, license, or other similar agreements to provide recreation, food, or other services to either the general public or specific individuals. Concessions services included, but were not limited to, food operations, vending machines, retail shops, public pay telephones, barber/beauty shops, transportation, lodging, marinas, and campgrounds. We excluded day care centers, employee association stores, and services provided by visually impaired persons under the Randolph-Sheppard Act.[4]

[4] 20 U.S.C. 107-107f. The Randolph-Sheppard Act provides a preference for visually impaired persons to operate vending facilities on federal property to encourage their self-support. State governments manage Randolph-Sheppard concessions that are on federal property.

Under concessions agreements with federal agencies, private parties and nonfederal public entities, such as local governments, supply many of the services and accommodations provided on federal property to the public. Each year, millions of people use the services made possible through these agreements. Some agreements are long-term and some are short-term. A long-term agreement, which generally involves a large financial investment by the concessioner for construction or capital improvements, may last up to 50 years. A short-term permit or license, which generally requires little or no financial investment in facilities by the concessioner, may last up to 5 years.

Each agency is responsible for developing, implementing, and monitoring its concessions program to ensure that the federal government receives a fair return from the partnership. No overall federal concessions policy exists. In exchange for use of federal property, concessioners pay the government a concessions, franchise, permit, or license fee. Most agreements provide that the concessioner will pay the government either a flat fee or a percentage of gross revenues.

The primary purpose of the six land management agencies' concessions programs is to encourage operation of a public-private partnership to provide recreation for visitors to national parks, forests, and other public lands and waters. Concessions services include food service, retail sales, ski resorts, lodging, and marinas.

Nonland management agencies such as the General Services Administration and U.S. Postal Service provide concessions services either for all federal employees or their individual employees and users of their services. The primary purpose of their concessions programs is to provide high-quality merchandise and convenient services at reasonable prices. Their concessions services include food service, retail sales such as gift shops, vending machines, and coin-operated photocopiers.

Since the mid 1970s, we have conducted several reviews of the concessions programs in the land management agencies. (See the list of Related GAO Products on pp. 43 and 44.)

Objectives, Scope, and Methodology

The objectives of our review were to determine (1) the extent of concessions operations in the federal government, (2) the rate of return received by the federal government from concessions and the factors affecting the rate of return, (3) how the federal government's rate of return compared to other governments' rates of return, and (4) the extent of agencies' nonconcessions activities that generated income in fiscal year 1994 and whether they offered opportunities for the agencies to handle them like concessions.

To accomplish objectives one, two, and four, we (1) sent 3 questionnaires to the 75 federal government entities listed in appendix I, requesting general information on all concessions operations and detailed agreement-specific information (including copies of the concessions agreements) on each agreement that was either initiated or extended during fiscal year 1994;[5] (2) interviewed federal concessions management staff at both headquarters and field levels and nonprofit organizations interested in concessions issues; and (3) obtained and reviewed the laws, regulations, and policies for each federal entity's concessions operations. Further, if concessions services in agencies were provided under agreements with GSA, we requested agencies not to include these operations in their responses. GSA agreed to include these concessions in its response.

Our information on the concessions agreements comes from only the agency's questionnaire responses for the agreements. However, we checked selected responses against copies of the concessions agreements sent to us, checked agency totals for concessions revenues and fees against our prior reports, and followed up with agency staff in selected cases to clarify their responses.

Because agencies did not collect revenue data on all concessions, we could calculate the rate of return only for those agreements where agencies reported both the revenues and fees. As shown in appendix III, we used the detailed information they provided on agreements containing both revenue and fee data that were either initiated or extended in fiscal year 1994. From this reported information, we calculated the rate of return by dividing gross revenues into the sum of concessions fees and special accounts.

To determine how the federal government's rate of return compared with that of other governments, we also sent a questionnaire to five state governments and Canada. We selected the five states—California, Maryland, Michigan, Missouri, and Tennessee—on the basis of each government's rate of return that was collected by the National Parks and Conservation Association. This Association is a private, nonprofit citizens

[5]All 75 agencies responded to our questionnaires.

organization organized to protect, preserve, and enhance the U.S. National Park System. We also visited two of the states—Maryland and Tennessee—and met with their key concessions managers. We selected Canada to obtain information on another country's experience.

We did our review from January 1995 to November 1995, in accordance with generally accepted government auditing standards. We did our work in Washington, D.C.; Nashville, Tennessee; and Annapolis, Maryland. Because it was impractical for us to obtain comments from all 75 agencies, we provided copies of a draft of this report to the heads of the departments of the 6 land management agencies for comment. The six agencies accounted for over 92 percent of the concessions. On March 25, 1996, we discussed the draft report with officials designated by the departments. Their comments are discussed on pages 16 and 17.

Appendix VIII contains a more detailed description of our objectives, scope, and methodology.

Extent of Concessions Operations in the Federal Government

As shown in appendix I, 27 of the 75 federal departments and agencies surveyed reported having concessions agreements in effect during fiscal year 1994. Forty-two respondents (agencies or agency components) provided concessions data because, as shown in appendix II, some agencies, such as the Department of the Interior, had more than 1 component managing concessions agreements. The 42 agencies or agency components reported that they had 11,263 concessions agreements in effect during fiscal year 1994. Reported data showed that concessions operations ranged from small fishing guide services generating annual revenues of less than $1,000 to multimillion-dollar recreation corporations.

As shown in table 1, 10,427 (over 92 percent) of the total 11,263 reported concessions agreements were with the 6 land management agencies. The National Park Service and the Forest Service concessions operations accounted for about 90 percent of the six land management agencies' reported concessioners' gross revenues and fees paid to the government.

Table 1: Reported Number of Concessions Agreements With Federal Agencies During Fiscal Year 1994

Agency category	Reported number of concessions	Percent of total	Reported amount of concessioners' revenues	Percent of total
Land management agencies	10,427	92.6	$2,064,880,989	92.7%
Nonland management agencies	836	7.4	163,162,541	7.3
Total	**11,263**	**100.0**	**$2,228,043,530**	**100.0**

Source: GAO questionnaire data.

The agencies reported concessioners' gross revenues of $2.2 billion in fiscal year 1994. However, the actual amount of gross revenues was greater because some agencies did not collect gross revenue data from all concessioners.[6] Eight of the 42 agencies or agency components with concessions reported that some concessioners were not required to report revenues, particularly those paying a flat concessions fee. Some agency officials said they had no requirement to track concessioners' revenues when concessioners paid a flat concessions fee. However, the National Park Service said it plans to change this practice in the future, because some of these agreements may be conducive to competitive agreements.

As shown in table 2, agencies reported that the government received over $82 million from concessions operations during fiscal year 1994.

Table 2: Reported Return on Concessions Agreements During Fiscal Year 1994

Agency category	Reported concessions fees paid to the government (in millions)	Reported funds deposited into concessioners' special accounts (in millions)	Total (in millions)	Percent of total
Land management agencies	$47.1	$12.2	$59.3	71.9%
Nonland management agencies	17.5	5.7	23.2	28.1
Total	$64.6	$17.9	$82.5	100.0

Source: GAO questionnaire data.

[6]Because agencies did not collect revenue data on all concessions, we calculated the rate of return for only those agreements for which both revenue and fees were reported. We used the detailed information agencies provided on agreements that were either made or extended in fiscal year 1994. From this reported information, we calculated the rate of return by dividing gross revenues into the sum of (1) concessions fees and (2) special accounts.

The reported $82.5 million of government receipts includes funds that concessioners deposited into special accounts that officials said are primarily used for repairs and improvements to facilities on government property.

Nine of the 42 agencies or agency components also estimated that concessioners provided an additional $4.7 million in nonfee compensation by maintaining government property. This amount is not included in table 2. Some agency officials said they estimated nonfee compensation value by considering what the cost would have been for the agency to perform the work, obtaining quoted prices from vendors, using receipts maintained by the concessioners, and reviewing concessioners' annual financial reports. This estimated value likely did not include the total nonfee value; some agencies said they did not monitor the value of concessioners' maintenance of government property for various reasons, including the difficulty of distinguishing between maintenance costs for federal property and concessioners' property.

The Rate of Return on Concessions Agreements Either Initiated or Extended During Fiscal Year 1994

As shown in appendix III, our analysis of financial data from the questionnaire showed a 3.6 percent rate of return to the government on reported concessioners' revenues from concessions agreements either initiated or extended in fiscal year 1994. From reported information on the agreements with both revenue and fee data, we calculated the rate of return by dividing gross revenues into the sum of (1) concessions fees and (2) the amount concessioners deposited into special accounts for improvements. The rate represents the percentage of reported concessioners' gross revenues that the federal government is to receive.

Our analysis of the reported data showed a rate of return of 2.8 percent for the 6 land management agencies' concessions, 9.2 percent for the nonland management agencies' concessions, and 3.1 percent for the 50 concessions with the largest reported amount of gross revenues in our survey.[7]

As shown in appendix IV, the reported data showed that the rates of return ranged from a low rate of 2 percent to a high rate of 47 percent for the 15 service categories. Food service operations averaged the lowest rate of return (2 percent), and coin-operated copiers in U.S. Postal Service facilities averaged the highest rate of return (47 percent).

[7]The 50 concessions with the largest revenues each generated reported gross revenues that ranged from $1.4 million to $82 million during fiscal year 1994. Most of these concessions were managed by the Forest Service and the National Park Service.

How the Federal Rate of Return Compared to Other Governments' Rates

Other governments reported receiving higher rates of return from concessions operations than the overall federal rate. Four states and Canada reported on average a 12.7 percent rate of return. The states were California, Maryland, Michigan, and Missouri.[8] The states noted by the National Parks and Conservation Association as having high rates of return from concessions reported obtaining rates of return ranging from 11 to 17 percent.[9] In addition, Canada reported receiving a 9.8 percent rate of return on its concessions operations. As shown in appendix V, Canada and the four states reported that their concessions services included marinas, food service operations, campgrounds, and retail sales—some of the same types of services reported by the agencies we surveyed.

All four states and Canada said they generally compete concessions agreements. They said that key factors for selecting concessioners were the amount of fees generated for the government and bidders' experience and financial status. According to state officials, agreements exempted from competition included short-term permits expecting to gross a low level of revenue, generally $5,000 or less. Officials for one state also said the state would enter into a noncompetitive agreement with a business that initiated a proposal for a concession, but if the operation proved lucrative after 1 year, the state would renegotiate the concessions agreement through a competitive process.

Factors Affecting the Rate of Return From Concessions

We analyzed numerous factors to determine their impact on the rate of return, including competition, background of concession staff, type of service, agencies' retention of concessions fees, and the methods used to determine concessions fees. Questionnaire data showed that although some of these factors affected the rate of return to the government, others did not. For example, our analysis of the reported data showed that the lack of a procurement background for concessions staff did not have an impact on the rate of return. In addition, officials from the five states said none of their concessions staff had procurement backgrounds. They reported that they had contracting officers to set policies but delegated concessions management to park managers.

[8]Tennessee was the fifth state we selected for our review. However, since Tennessee charged a flat fee for most of its concessions and did not track concessioners' revenues, rate of return information was not obtainable.

[9]The National Parks and Conservation Association is a nonprofit organization organized to preserve the U.S. National Park System.

Competition Resulted in a Higher Rate of Return From Concessions Operations

As shown in appendix VI, concessions agreements entered into on a competitive basis had higher rates of return than those that were not competed. Our calculated rate of return for agreements where agencies reported that they competed concessions fees was 5.1 percent, compared to a 2.0-percent rate when agencies reported that they did not use competition. The impact of competition on the rate of return remained when the differences among services were considered.

Detailed analysis of reported information on the recreation service providing the highest rate of return in the land management agencies—campground—showed that competition was a factor. For campground permits where agencies reported both revenue and fee data, agencies reported that they competed 82 percent of the permits issued in fiscal year 1994. Campground permits that agencies reported competing averaged a 7.1 percent rate of return compared to a 4.1-percent rate of return for campground permits agencies said they issued noncompetitively.

Questionnaire information showed that nonland management agencies competed more of their concessions than the land management agencies. Information on 2,234 concessions agreements reporting both revenue and fee data detailed how they were entered into during fiscal year 1994. The information showed that nonland management agencies entered into 101 of the agreements and competed 96 percent of them, and the land management agencies initiated 2,133 of these concessions agreements and competed 8.6 percent of them. Nonland management agencies reported that they either entered into concessions agreements using the Federal Acquisition Regulation or other policies that under most circumstances provide for competition.[10]

Most land management agencies generally have discretion whether to compete concessions agreements. The Concessions Policy Act of 1965, governing National Park Service concessions, is the only law covering concessions in land management agencies that specifically requires competition.[11] The act requires the National Park Service to give the public the right to compete for concessions contracts. However, competition is limited by the requirement that existing concessioners who perform satisfactorily be given a preferential right of contract renewal when the agreement expires.

[10]The Federal Acquisition Regulation contains the uniform regulations pertaining to federal agencies' procurement of services and supplies.

[11]The Concessions Policy Act of 1965 is codified at 16 U.S.C. 20-20g.

Officials in the land management agencies said that more competition is needed, but they also said it can not always be used. They said some operations could not be competed, such as ski areas where major portions of the operations are located on private land and the concessioners have a substantial financial investment in the activities. In such situations, the federal government's land is usually needed to complete a service, such as adding a ski lift or extending a ski lift to the top of a mountain.

However, they noted that other activities, such as river running, jeep tours through scenic areas, and hunting trips, were very profitable to concessioners and conducive to competition. On the basis of questionnaire data, we determined that 6 of these types of concessions were among the 50 concessions with the highest reported gross revenues to the concessioners in our survey and were initiated in fiscal year 1994. The reported information showed that the agreements were initiated on a noncompetitive basis.

Agencies' Authority to Retain Fees

Our analysis of questionnaire data showed that another factor increasing the rate of return was the agencies' authority to retain concessions fees and use them in their operations. The rate of return on agreements where agencies reported that they were authorized to retain over 50 percent of the fees was 3.3 times the rate on agreements where agencies reported that over 50 percent of the fees were to be deposited into the Department of the Treasury as miscellaneous receipts. Further questionnaire data analysis showed that concessions with the highest gross revenues in our survey managed by agencies retaining fees averaged an 11.1 percent rate of return to the government. In contrast, the reported data showed that this category of concessions managed by agencies that did not retain fees averaged a 2.6 percent rate of return.

Additionally, five nonland management agencies (with authority to retain fees) reported 5 percent of the total agreements and 3 percent of concessioners' gross revenues but reported 18 percent of concessions fees. In contrast, the six land management agencies (without authority to retain their fees) reported 93 percent of the total agreements and 93 percent of concessioners' gross revenues but reported 73 percent of concessions fees, as shown in table 3. Therefore, agencies authorized to retain fees reported obtaining more fees in proportion to their concessioners' gross revenues than agencies that were not authorized to retain fees.

Table 3: Proportion of Concessions Fees Earned by Agencies That Reported That They Did or Did Not Retain Concessions Fees

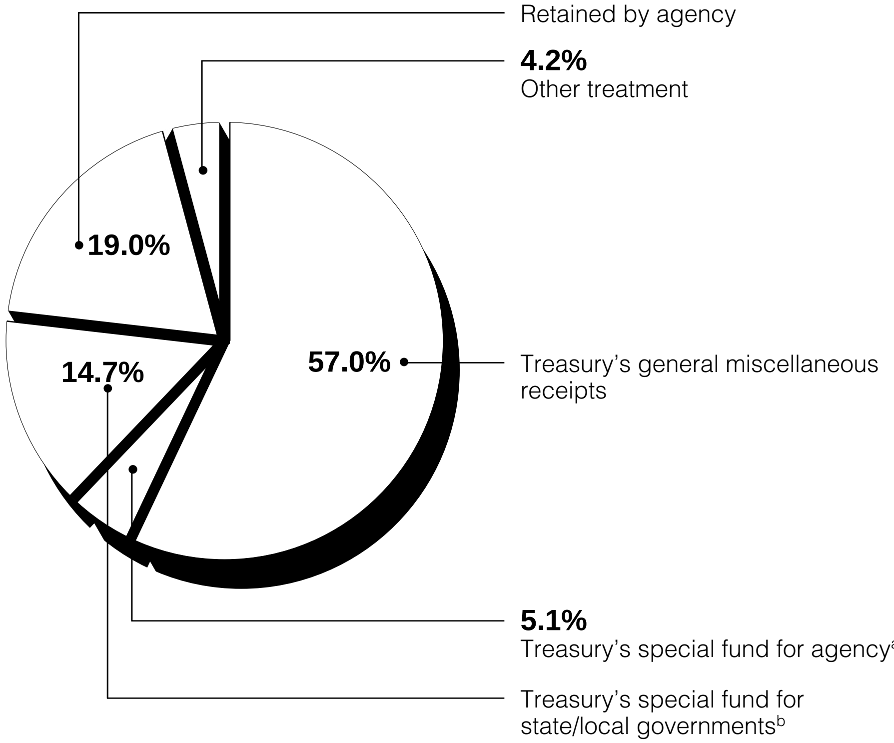
	Six land management agencies (did not retain fees)	Five nonland management entities (did retain fees)[a]
Percent of concessions agreements	92.6	5.0%
Percent of concessioners' gross revenue	92.7	3.2
Percent of concessions fees	73.0	18.3

[a]The five agencies are the Smithsonian Institution, the John F. Kennedy Center for the Performing Arts, the U.S. Postal Service, the Department of Veterans Affairs' Veterans Canteen Service, and the Department of Transportation's U.S. Coast Guard.

Source: GAO questionnaire data.

Generally, agencies are not authorized to retain and use money they receive from outside sources in the absence of express statutory authority to do so. As shown in figure 1, most concessions fees are to be deposited into the Department of the Treasury as general miscellaneous receipts.

Figure 1: Where Reported Concessions Fees Are to Be Deposited
(Percent of Reported Fiscal Year 1994 Concessions Fees)



[a]Treasury's special fund accounts are accounts that are earmarked by law for a specific purpose. Receipts into special fund accounts are either available immediately or unavailable for expenditure depending upon statutory requirements.

[b]Agencies' concessions fees to be deposited into Treasury's account for state/local governments are collected receipts the agencies are to make available to build and maintain roads and trails on federal lands within the state where the receipts were collected.

Source: GAO questionnaire data.

Since agencies that collect concessions fees generally are not able to use them, they have less incentive to maximize fees. An official from one of the agencies that retained fees said that since the fees support agency operations, staff put forth extra effort to obtain a high rate of return on concessions. About 70 percent of the 42 agencies or agency components responding to our survey said retaining fees is or would be beneficial to them.

Preferential Right of Contract Renewal Reduces Competition

The Concessions Policy Act of 1965 grants existing National Park Service concessioners a preferential right of contract renewal when their agreements expire. Under the legislation, the Secretary of the Interior is to give preference to the renewal of a concessions contract to existing concessioners who have satisfactorily performed their obligations. Under the Department of the Interior's regulations, the preferential right for contract renewal is the right of incumbent concessioners to match or better the best offer received from firms competing for the concessions contract. The existing concessioner must have performed satisfactorily and must have been under the existing contract for 2 years.

This preference reduces competition because it may limit the number of prospective concessioners. Businesses are reluctant to expend time and money preparing bids in a process where the award is most likely going to the incumbent contractor. The National Park Service said that between 1985 and 1989, 28 of 29 contracts up for renewal were awarded to the incumbent concessioner.

The National Park Service reported 23 of the 50 concessions agreements with the highest revenues reported in our survey. On the basis of the reported data, when 17 of the contracts were last awarded, the incumbent concessioners received preferential right of contract renewal and received 16 of the contracts, with 1 contract awarded to a new concessioner. The National Park Service reported that the existing concessioners sold three of the remaining six concessions to other concessioners before the contracts expired, two concessioners operated under noncompetitive commercial use licenses, and the National Park Service converted another commercial use license to a sole-source contract.

Possessory Interest

Another statutory requirement for the National Park Service that influences the number of bidders is possessory interest. The Concessions Policy Act of 1965 gives National Park Service concessioners the right to be compensated for improvements they construct on federal lands, which is called possessory interest.[12] The legislation specifies that unless otherwise provided by agreement, the compensation must be based on "sound value," which is generally defined as reconstruction cost less depreciation, not to exceed fair market value. Either the National Park Service or a successor concessioner has the liability to pay the concessioner sound value compensation. According to National Park

[12]Section 5(b) of P.L. 96-375 also authorizes the Department of the Interior to grant possessory interest at fair value to Bureau of Reclamation concessioners at Lake Berryessa, CA.

Service officials, this valuation limits the number of businesses submitting offers for concessions.

In 1993, the National Park Service issued a new policy covering standard concessions contract language, which included a provision to reduce possessory interest for contracts awarded after January 7, 1993. The policy revises the calculation of possessory interest to “fair value,” which is defined as the original cost of improvements less straight-line depreciation. This change is being challenged by the National Park Hospitality Association in the courts on the basis that the new policy is not in accordance with the Concessions Policy Act of 1965.

Officials from the four states and Canada said their regulations do not allow concessioners to acquire possessory interests. However, they said they consider the amount of a concessioner’s investment when deciding the length of the contract. According to the officials, concessioners are given enough time to make a profit and amortize their investments, but the maximum term of contracts is 20 years.

Calculation of questionnaire data on the National Park Service concessions that reported both revenue and fee data for contracts either awarded or extended during fiscal year 1994 showed that:

- New and extended agreements granting possessory interest resulted in a rate of return of 3.8 percent, and those without possessory interest resulted in a rate of return of 4.5 percent.
- New agreements with preferential right of contract renewal resulted in a 3.8 percent rate of return, and those without the preference resulted in a rate of return of 6.4 percent.[13]

Reported Nonconcessions Activities Generating Income

Fifty components from 29 of the 75 federal agencies we surveyed said they received income of $20.5 billion in 1994 from activities that were not concessions. As shown in appendix VII, the activities varied and included the sale of hydroelectric power, audiovisual products, coins, medals, and commemorative items; tours of the Hoover Dam; operation of gift shops and reproduction services; and admission to presidential libraries. Agencies reported that most of the $20.5 billion was to be either deposited in Treasury’s special account for the agency’s use or retained by the agency for its use.

[13]The National Park Service reported that preferential contract renewal data for contracts extended in fiscal year 1994 were not readily available.

According to agency officials, because of such issues as security and privacy concerns, most of the activities were not conducive to concessions operations. They estimated that activities generating $175 million, or about 1 percent of the $20.5 billion in income, could be converted into concessions operations. These activities included

- the sale of hydroelectric power,
- tours of Hoover Dam,
- retail sales,
- the sale of commemorative items and coins, and
- collection of user or entrance fees.

Agency Comments and Our Evaluation

On March 21, 1996, we provided copies of a draft of this report to the heads of the departments of the six land management agencies for comment. We did not ask for comments from all 75 agencies in our survey because to do so would have been impractical. The six agencies accounted for over 92 percent of total concessions. On March 25, 1996, we discussed the draft report with officials designated by the departments, including the Forest Service's Director of Recreation, Heritage, and Wilderness Resources; the National Park Service's Acting Chief of the Concessions Program Division; the Bureau of Land Management's Special Assistant to the Assistant Director for Resource Use and Protection; the Fish and Wildlife Service's Branch Chief for Visitor Services and Information Management; and the Bureau of Reclamation's Natural Resources Specialist.

The officials said they generally agreed with the facts as presented in the draft report. Officials from four of the agencies—National Park Service, Fish and Wildlife Service, and the Bureaus of Land Management and Reclamation—reiterated the statement in our report that the primary purpose of the land management agencies' concessions programs is to provide a service to the public, not to maximize the rate of return. Officials from the Forest Service and the Bureau of Reclamation noted that high investments made by some concessioners also affect the rate of return that the government receives, which our report recognizes.

The National Park Service official said the report highlighted two factors required by legislation—preferential right of contract renewal to the existing contractor and granting possessory interest to concessioners—that affect the agency's rate of return. He added that three other factors also affect the rate of return: (1) the National Park Service's periodic operational reviews of concessioners, which may increase maintenance costs of concessioners; (2) the legislatively required rate control of concessioners' prices for goods and services; and (3) the expense for financial audits to concessioners grossing over 1 million dollars annually that the National Park Service requires. Our review was not designed to measure what impact, if any, that operational reviews or rate controls have on a concessioner's profitability or whether all concessioners had financial audits. We would expect, however, that economic market forces for large dollar value concessions would be similar for the National Park Service and other agencies' concessions. It is likely that all larger concessioners would incur the costs of financial and routine maintenance audits, regardless of the agencies' requirements. Also with respect to prices, the legislative requirement calls for National Park Service concessioners' prices to be comparable to those of similar services and facilities under similar circumstances. Therefore, nothing seems to suggest that National Park Service concessioners have been directed to set prices at rates below those that one would normally expect to find in the surrounding localities.

The Department of the Army Corps of Engineers said they had no comments on the draft report.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies of this report to interested congressional committees, the agencies included in our review, the Director of the Office of Management and Budget, and other interested parties. We will also make copies available to others upon request.

The major contributors to this report are listed in appendix IX. Please contact me on (202) 512-8387 if you have any questions concerning this report.

Sincerely yours,

J. William Gadsby

J. William Gadsby
Director, Government Business
Operations Issues

Contents

Tables

Figure

Abbreviations

ATF	Bureau of Alcohol, Tobacco and firearms
CAFE	Corporate Average Fuel Economy
COBRA	Consolidated Omnibus Budget and Reconciliation Act
FOIA	Freedom of Information Act
GSA	General Services Administration
RHCDS	Rural Housing and Community Development Service
UBPR	Uniformed Bank Performance Report
VCS	Veterans Canteens Service

List of Agencies Surveyed

Agency	Did agency have concessions operations during fiscal year 1994? Yes	No
Department of Agriculture	X	
Central Intelligence Agency	X	
Department of Commerce	X	
Commission on Civil Rights		X
Commodity Futures Trading Commission		X
Consumer Product Safety Commission		X
Corporation for National Service		X
Department of the Army Corps of Engineers	X	
Department of Education		X
Department of Energy	X	
Environmental Protection Agency		X
Equal Employment Opportunity Commission		X
Export-Import Bank		X
Farm Credit Administration		X
Federal Communications Commission		X
Federal Deposit Insurance Corporation	X	
Federal Election Commission		X
Federal Emergency Management Agency	X	
Federal Energy Regulatory Commission	X	
Federal Housing Finance Board		X
Federal Labor Relations Authority		X
Federal Maritime Commission		X
Federal Mediation and Conciliation Service		X
Federal Mine Safety and Health Review Commission		X
Federal Reserve Board	X	
Federal Retirement Thrift Investment Board		X
Federal Trade Commission		X
General Services Administration	X	
Department of Health and Human Services	X	
Department of Housing and Urban Development		X
Inter-American Foundation		X
Department of the Interior	X	
Interstate Commerce Commission		X
Department of Justice	X	
The John F. Kennedy Center for the Performing Arts	X	

(continued)

Agency	Did agency have concessions operations during fiscal year 1994? Yes	No
Department of Labor		X
Merit Systems Protection Board		X
National Aeronautics and Space Administration	X	
National Archives and Records Administration	X	
National Capital Planning Commission		X
National Credit Union Administration	X	
National Endowment for the Arts		X
National Endowment for the Humanities		X
National Gallery of Art	X	
National Labor Relations Board		X
National Mediation Board		X
National Railroad Passenger Corporation		X
National Science Foundation		X
National Transportation Safety Board		X
Nuclear Regulatory Commission		X
Occupational Safety and Health Review Commission		X
Office of Government Ethics		X
Office of Personnel Management		X
Office of Special Counsel		X
Panama Canal Commission	X	
Pennsylvania Avenue Development Corporation		X
Pension Benefit Guaranty Corporation		X
Resolution Trust Corporation	X	
Securities and Exchange Commission		X
Small Business Administration		X
Smithsonian Institution	X	
Tennessee Valley Authority	X	
Thrift Deposit Protection Oversight Board		X
Department of Transportation	X	
Department of the Treasury	X	
U.S. International Trade Commission		X
U.S. Postal Service	X	
U.S. Railroad Retirement Board		X
U.S. Trade and Development Agency		X
Department of Veterans Affairs	X	

(continued)

Agency	Did agency have concessions operations during fiscal year 1994? Yes	No
Department of State		X
U.S. Agency for International Development	X	
U.S. Peace Corps		X
U.S. Arms Control and Disarmament Agency		X
U.S. Information Agency		X
Total	**27**	**48**

Source: GAO questionnaire data.

Extent of Concessions in the Federal Government

Twenty-seven of the 75 departments and agencies we surveyed reported that they had concessions operations during fiscal year 1994. Table II.1 contains overall information reported by the 27 departments and agencies. Forty-two departments and agencies responded because some had more than one component managing concessions.

As indicated in the table, data on all concessioners' revenues were not available. Some agencies reported that gross revenue data were not available because concessioners paid a flat concessions fee and the agency had no requirement to track gross revenues. As a consequence, total concessions revenues and fees in this table can not be compared to determine the rate of return the government received from concessioners' revenues.

Table II.1: Extent of Concessions Operations in the Federal Government in Fiscal Year 1994

	Concessions Activity				
Agency/component	**Number of contracts, permits, or agreements**	**Concessioners' revenues**	**Concessions fees earned by the federal government**	**Amount deposited into concessioners' accounts for maintenance and improvements[a]**	**Value of concessioners' nonfee compensation[b]**
Department of Agriculture/Forest Service	5,322	$1,204,977,006	$26,014,205	$735,326	$2,375,664
Department of Agriculture/other components	2	3,407,313	44,110	0	0
Central Intelligence Agency[c]	0	0	0	0	0
Department of Commerce/Bureau of the Census[d]	1	228,787	0	0	9,600
Department of Commerce/National Institute of Standards & Technology[e]	3	1,136,784	23,867	15,562	15,593
Department of Commerce/National Oceanic and Atmospheric Administration[d]	2	242,082	2,790	0	0
Department of Army Corps of Engineers[e]	1,388	168,594,170	3,409,084	0	0
Department of Energy/Bonneville Power Administration	2	1,021,784	38,598	0	0
Federal Deposit Insurance Corporation	3	217,074	39,557	0	0

(continued)

Agency/component	Concessions Activity: Number of contracts, permits, or agreements	Concessioners' revenues	Concessions fees earned by the federal government	Amount deposited into concessioners' accounts for maintenance and improvements[a]	Value of concessioners' nonfee compensation[b]
Federal Emergency Management Agency[d]	1	$1,000,000	$0	$0	$0
Federal Energy Regulatory Commission[e]	1	0	201,010	0	0
Federal Reserve Board	4	128,196	22,111	0	0
General Services Administration	75	50,400,577	2,420,158	129,605	363,579
Department of Health and Human Services/National Institutes of Health	2	2,897,000	7,787	0	0
Department of the Interior/National Park Service[e]	1,933	668,000,000	14,807,813	11,442,565	0
Department of the Interior/Bureau of Land Management[e]	1,508	11,378,474	2,193,471	0	977,000
Department of the Interior/Fish and Wildlife Service[e]	239	3,924,736	295,073	0	0
Department of the Interior/Bureau of Reclamation[f]	37	8,006,603	335,979	0	41,002
Department of the Interior/Bureau of Indian Affairs[e]	12	0	41,655	300	0
Department of the Interior/Board of Indian Arts and Crafts[d]	3	115,464	0	0	0
Department of Justice/Federal Bureau of Investigation[d]	2	2,645,383	0	31,728	0
Department of Justice/Bureau of Prisons	67	5,411,742	847,066	0	0
The John F. Kennedy Center for the Performing Arts	4	9,564,502	1,853,828	0	0
National Aeronautics and Space Administration[e]	27	9,111,244	779,408	5,428,878	0
National Archives and Records Administration	1	235,000	3,300	0	0
National Credit Union Administration[d]	1	19,118	0	0	0
National Gallery of Art	2	4,500,000	24,199	81,706	0
Panama Canal Commission[d,e]	25	0	107,000	0	0

(continued)

Agency/component	Concessions Activity: Number of contracts, permits, or agreements	Concessioners' revenues	Concessions fees earned by the federal government	Amount deposited into concessioners' accounts for maintenance and improvements[a]	Value of concessioners' nonfee compensation[b]
Resolution Trust Corporation[d,e]	2	0	0	0	0
Smithsonian Institution	6	$18,000,000	$3,300,000	$0	$0
Tennessee Valley Authority	5	4,230,000	63,200	0	500,000
Department of Transportation/U.S. Coast Guard[e]	279	0	1,246,703	0	13,200
Department of Transportation/St. Lawrence Seaway Development Corporation	1	1,050,035	317,561	0	400,000
Department of Transportation/ Federal Aviation Administration[e]	17	1,039,700	9,313	0	0
Department of Transportation/Volpe National Transportation Systems Center	2	442,899	6,643	0	0
Department of the Treasury/Office of Thrift Supervision[e]	8	0	452,780	0	0
Department of the Treasury/U.S. Mint	1	3,494,293	173,140	0	0
Department of the Treasury/Federal Law Enforcement Training Center[e]	1	0	2,920	0	0
U.S. Postal Service	237	28,108,564	2,320,068	0	0
Department of Veterans Affairs/ Veterans Canteen Service	28	14,490,000	3,101,165	0	0
U.S. Agency for International Development[d]	9	25,000	2,400	0	0
Totals 27 agencies 42 agency components	**11,263**	**$2,228,043,530**	**$64,507,962**	**$17,865,670**	**$4,695,638**

(Table notes on next page)

[a]Concessioners are allowed to deposit funds into concessioners' accounts (in lieu of or along with payment of concessions fees) for maintenance and repairs.

[b]The value of nonfee compensation represents concessioners' general maintenance and improvements made to government property. Agencies based the value on estimates, receipts, and quoted vendors' prices. Some agencies said they could not estimate the nonfee value because, in some cases, of the difficulty in distinguishing between federal and concessioner's property.

[c]The Central Intelligence Agency did not provide details on its concessions agreements.

[d]Agency responded that concessions fees were sometimes waived because of the following reasons: (1) reduced prices on vended items, (2) difficulty in obtaining contractors—the building is surrounded by many food establishments, (3) a more attractive procurement was needed because of a lack of offerors, (4) a limited profit rate for concessioners—with overage to be either returned to the government or put back into the food service operation, (5) concessioners make it possible to market Native Americans arts and crafts—an activity the agency could not do.

[e]Agency responded that some revenue data were not available mainly because concessioners were not required to report revenues for certain concessions where they generally paid a flat concessions fee.

[f]According to the Bureau of Reclamation, the 37 concessioners represent only a portion of the agency's concessioners. Survey information was not available for the 225 concessions agreements that are managed by state agencies.

Source: GAO questionnaire data.

Rate of Return on Concessions Agreements Either Initiated or Extended During Fiscal Year 1994

Agency	Concessioners' gross revenue	Fees	Amount deposited into concessioners' special accounts[a]	Total (fees + special accounts)	Number of concessions	Rate of return
Forest Service	$306,473,830	$7,765,758	$66,339	$7,832,097	2,361	2.56%
National Park Service	135,626,774	3,624,398	1,116,671	4,741,069	555	3.50
Army Corps of Engineers	9,473,016	214,446	34,531	248,977	27	2.63
Bureau of Land Management	2,376,622	71,243	0	71,243	15	3.00
Fish and Wildlife Service	807,713	39,551	0	39,551	6	4.90
Bureau of Reclamation	16,000	600	0	600	1	3.75
Subtotal, land management agencies	454,773,955	11,715,996	1,217,541	12,933,537	2,965	2.84
U.S. Postal Service	27,349,976	1,950,669	0	1,950,669	183	7.13
General Services Administration	17,671,583	143,054	129,605	272,659	17	1.54
Department of Veterans Affairs	6,679,611	1,838,571	0	1,838,571	5	27.53
Department of Justice	5,804,100	810,980	33,003	843,983	54	14.54
National Aeronautics and Space Administration	3,845,102	608,181	0	608,181	16	15.82
Department of Commerce	1,206,526	14,057	15,562	29,619	3	2.45
Department of Transportation	1,441,766	323,925	0	323,925	6	22.47
National Archives and Records Administration	235,000	3,300	0	3,300	1	1.40
Federal Deposit Insurance Corporation	178,803	39,557	0	39,557	1	22.12
Other Interior agencies	7,424	0	3,712	3,712	1	50.00
Subtotal nonland management agencies	64,419,891	5,732,294	181,882	5,914,176	287	9.18
All agencies	$519,193,846	$17,448,290	$1,399,423	$18,847,713	3,252	3.63%

[a]Concessioners are allowed to deposit funds into concessioners' special accounts (in lieu of or along with payment of concessions fees) for improvements and maintenance of facilities on federal property.

Note: From questionnaire financial data, we calculated the rate of return by dividing gross revenues into the sum of reported (1) concessions fees and (2) amounts deposited into concessioners' special accounts. Questionnaire responses that did not contain both revenue and concessions fee data were excluded from this analysis.

Source: GAO questionnaire data.

Rate of Return by Primary Concessions Services on Concessions Agreements Either Initiated or Extended During Fiscal Year 1994

Concessions services	Rate of return (percent)
Coin-operated copiers	47.0
Vending machines	13.1
Campgrounds	5.5
Education/instruction	5.5
Retail sales	5.3
Lodging	4.2
River running	3.5
Big game hunting	3.2
Marinas	3.0
Food operations and vending	2.8
Ski areas	2.5
Outfitting-guiding	2.2
Transportation (including ferry, cruise, tourmobile)	2.2
Food operations	2.1

Note: From questionnaire financial data, we calculated the rate of return by dividing gross revenues into the sum of reported (1) concessions fees and (2) amounts concessioners deposited into concessioners' accounts for improvements and maintenance of facilities on federal property. Questionnaire responses that did not contain both revenue and concessions fee data were excluded from this analysis.

Source: GAO questionnaire data.

Comparison of the Federal Rate of Return With Other Governments' Rates—Fiscal Year 1994

Government	Concessions services	Rate of return
Federal government	Food service operations, lodging, campgrounds, vending machines, retail sales, river running, big game hunting, marinas, ski resorts, transportation, cruise boats, boat docks, coin-operated copiers, and others.	3.6%[a]
California	Retail sales, marinas, beaches, golf courses	11.0
Maryland	Food service operations, vending machines, optical viewing machines, water sports equipment, campgrounds, and cruise boats	13.0
Michigan	Food service operations, retail sales, campgrounds, stables, bicycle and boat rentals, rifle ranges, and vending machines	13.0
Missouri	Lodging, food service operations, marinas, retail sales, pools, horseback riding, and firewood sales	16.6
Tennessee	Lodging, food service operations, swimming pools, snack bars, marinas, boat docks, horseback riding, and golf courses	[b]
Canada	Retail sales, recreation equipment rentals, food service operations, marinas, golf courses, tennis courts, theaters, and office and special purpose space	9.8

[a]From questionnaire financial data, we calculated the rate of return by dividing gross revenues into the sum of reported (1) concessions fees and (2) amounts concessioners deposited into concessioners' accounts for improvements and maintenance of facilities on federal property. Questionnaire responses that did not contain both revenue and concessions fee data were excluded from this analysis.

[b]Tennessee did not track concessioners' revenues. It charged a flat concessions fee.

Source: GAO questionnaire data.

Rate of Return on Concessions Agreements Initiated During Fiscal Year 1994 With or Without Competition

	Agreements initiated by using competition	Agreements initiated without using competition
Number of concessions agreements	280	1,954
Concessioners' gross revenues	$44,237,225	$117,648,966
Concessions fees + funds concessioners deposited into special accounts	$2,259,108	$2,381,230
Rate of return	5.1%	2.0%

Note: From questionnaire financial data, we calculated the rate of return by dividing gross revenues into the sum of reported (1) concessions fees and (2) amounts concessioners deposited into concessioners' accounts for improvements and maintenance of facilities on federal property. Questionnaire responses that did not contain both revenue and concessions fee data were excluded from this analysis

Source: GAO questionnaire data.

Agencies' Nonconcession Income-Generating Activities in Fiscal Year 1994

Agency/component	Nonconcession, income-generating activities
Department of Agriculture/ Forest Service	Timber sales, grazing, land uses, power, and mineral sales
Department of Agriculture/ Animal and Plant Health Inspection Service	Funds from state and local governments for animal damage control activities, such as food & agriculture inspection services, illegally imported birds, import-export user fees, phytosanitary certificate user fees, agriculture quarantine and inspection user fees, Truman Animal Import Center, and veterinary diagnostics user fees
Department of Agriculture/ Economic Research Service	User fees for publications
Department of Agriculture/ Agricultural Marketing Service	User fees for grading services (cotton, tobacco, dairy products), license fees for traders of perishable agricultural commodities (fresh and frozen fruits and vegetables), subscription fees for printed market reports, user fees for development and maintenance of quality standards used in grading
Department of Agriculture/ Foreign Agricultural Service	Participation fees for participation in international food trade shows and dairy import license fees charged to recover the government's costs of issuing licenses permitting the importation of foreign cheese
Department of Agriculture/ Research, Education and Economics	Revenues from land use fees and money for the repair of government property
Department of Agriculture/ Rural Housing and Community Development Service (RHCDS)	Loan guarantee fees collected from lenders for loan guarantees for single-family housing and community facility loans, conditional commitment fees from developers who request commitments from RHCDS for single-family housing loans for the purchase of new construction, appraisal fees from single-family housing loan applicants to offset the cost to obtain an appraisal, loan origination fees collected from borrowers in certain loan programs, credit report fees collected from loan applicants, late fees charged to borrowers who are late on multifamily housing loan payments, loan application/transfer fees charged to nonprogram eligible purchasers for properties financed by RHCDS
Department of Commerce/ National Oceanic and Atmospheric Administration	Moorage fees and payments for leased space
Department of Commerce/U.S. Patent and Trademark Office	Application fees and the sale of patent information
Commodity Futures Trading Commission	Fees for rule reviews, designations, Freedom of Information Act (FOIA), leverage audits, registration, reparations, photocopying, and publications
Department of Energy	User fees for the disposal of high-level radioactive waste; timber sales; public hunting; recycling; procurement seminars and procurement solicitation fees; occasional rights-of-way and easement and grazing fees; and sale of crude oil and natural gas
Department of Energy/ Alaska Power Administration	Sale of wholesale power to customers who redistribute to retail customers
Department of Energy/ Bonneville Power Administration	Sale of hydroelectric power from 21 multipurpose water resource projects of the Army Corps of Engineers and 9 of the Bureau of Reclamation, plus power from nonfederal generating plants
Department of Energy/ Western Area Power Administration	Sale of more than 10,000 megawatts of power (electricity) from 54 hydro power plants
Department of Energy/ Southwest Power Administration	Sale of power and energy from 24 hydroelectric power plants operated by the Army Corps of Engineers
Department of Energy/ Southeast Power Administration	Sale of power generated at 22 U.S. Army Corps of Engineers projects located in a 10-state southeastern region

(continued)

Agency/component	Nonconcession, income-generating activities
Federal Deposit Insurance Corporation	Revenue and fees obtained from contractor parking, fitness dues, interest earned on investments, telecommunications income from billings, earned assessments, provision for assessment credit, exit/ entrance fees, recoverable expenses from the Uniformed Bank Performance Report (UBPR) collections, miscellaneous income from seminars, rents, and others
Federal Election Commission	Collection of civil penalties, the sale of federal campaign disclosure reports and records, and revenues from FOIA
Federal Maritime Commission	User fee collections, fines and penalty payments, and Davis Law receipts
Federal Trade Commission	Filing fee from persons acquiring voting securities or assets who are required to file pre-merger notifications (15 U.S.C. 18a)
Department of the Interior/Fish and Wildlife Service	Entrance fees, commodity revenues from grazing, oil and gas, sand and gravel, and other special use fees
Department of the Interior/Bureau of Reclamation	Tours of Hoover Dam, site rentals of cabins, trailers, and camping and group-use sites, and land-use fees
Department of the Interior/ Minerals Management Service	Public Information products, the review and approval of pipeline rights-of-way, Cenozoic Publication, transfer of rights-of-way titles, assignment and lease transactions
Interstate Commerce Commission	User fees from applicants for licenses to engage in interstate commerce, parties in rail authority proceedings and compliant and compliant-type declaratory order proceedings (49 C.F.R. 1002.3)
Department of Justice/Drug Enforcement Administration	Registration fees from handlers of authorized drugs (doctors, pharmacies, and others)
Department of Justice/ Criminal Division	Collection of initial and supplemental registrations for foreign principals; generation of copies of registration statements, supplements, amendments, exhibits, dissemination reports, political propaganda, and other materials contained in public files; execution of information searches; preparation and execution of written advisory opinions
Department of Justice/ Bureau of Prisons	Sale of utilities (electricity, steam, water, and sewage treatment) to Federal Prison Industries, Inc. (Trade name-UNICOR); sale of meal tickets; rental income from staff housing located at various federal prisons; sale of farm by-products; fees from the care and custody of state prisoners from various states
National Aeronautics and Space Administration/ Ames Research Center	Gift shop sales, tickets, and tours
National Archives and Records Management	Reproduction services, the sale of reference material, over-the-counter sales (museum and presidential library shops), publication sales, audiovisual sales and rentals, and Presidential library admissions
National Endowment for the Arts	File search and copying services in association with FOIA and requests made to the Research Division
National Mediation Board	Duplicating costs under FOIA and the sale of Board publications reports
Nuclear Regulatory Commission	License and inspection fees, annual fees, and other regulatory costs
Office of Personnel Management	Rebates for volume discounts on governmentwide total quality training costs
Securities and Exchange Commission	Fees for over 80 types of applications, statements, and reports filed pursuant to each of the statutes the Commission administers
Small Business Administration	User fees charged to cover the costs of materials, brochures, and space rental for seminars, workshops, business award events, and others
Smithsonian Institution	Sales and membership fees

(continued)

Agency/component	Nonconcession, income-generating activities
Tennessee Valley Authority	Sale of electric energy and rent from electric property such as substations and transmission lines; interest income from customer loans; royalties from leased coal property; various cost-recovery fees, such as campground, entrance, and user fees
Department of Transportation/ St. Lawrence Seaway Development Corporation	Ad valorem fees for cargo on vessels going into U.S. ports; interest on Minority Bank investments; fees for observation decks and viewing machines at Eisenhower Lock; fees for vessel service, damage repairs, and violations; rental of office space; pleasure craft and noncommercial tolls for use of the seaway
Department of Transportation/ National Highway, Transportation, and Safety Administration	Civil penalties, sale of test tires and vehicles, royalties, FOIA requests, Corporate Average Fuel Economy fine (CAFE) penalties, and user fees
Department of Transportation/ Maritime Administration	User fees for processing applications to sell ships; operating the computer-aided Operations Research Facility at the U.S. Merchant Marine Academy; making copies of agency rulings, orders, and economic data; filing and investigation fees
Department of the Treasury/Office of the Comptroller of the Currency	Assessment of all federally chartered national banks, corporate applications, examinations, and security filings; sale of publications; investment income (interest earned from the investment of operating funds in U.S. Treasury securities)
Department of the Treasury/U.S. Mint	Sales at the Denver Mint and Union Station in Washington, DC, of numismatic items: coins, medals, and commemorative items
Department of the Treasury/U.S. Customs Service	Harbor maintenance fees; commissions on pay telephone stations; charges for testing, inspecting and grading services; fees and other charges for miscellaneous services and Consolidated Omnibus Budget and Reconciliation Act (COBRA).
Department of the Treasury/Bureau of Alcohol, Tobacco and Firearms (ATF)	Fees for firearm and explosives licenses and permits for ATF issues and registration fees to import U.S. munitions
U.S. Postal Service	Coin-operated photocopy machines at Post Office facilities
Department of Veterans Affairs	Profits received from Veterans Canteens Service (VCS) operated by VCS employees
Department of State	Fees for authentication services
Panama Canal Commission	Tolls; navigation, logistical, fire protection, and communication services; sanitation and grounds; power; water systems, housing, and others
The Kennedy Center	Box office receipts from the Kennedy Center and the National Symphony Orchestra, theater license fees, gift shops sales, and investment income
Federal Energy Regulatory Commission	Limited filing fees collected from regulated oil, gas, and electric companies and an assessed charge to major oil, gas, and electric customers based upon their respective portions of program costs

Source: GAO questionnaire data.

Objectives, Scope, and Methodology

The objectives of our review were to determine (1) the extent of concessions operations in the federal government, (2) the rate of return the federal government received from concessions and factors that affected the rate of return, (3) how the federal government's rate of return compared to other governments' rates of return, and (4) the extent of agencies' nonconcessions activities that generated income in fiscal year 1994 and whether they offered opportunities to be handled as concessions.

To accomplish objectives one, two, and four, we used three questionnaires to request data from 75 federal executive departments and agencies listed in the 1993/94 U.S. Government Manual. The first questionnaire requested summary information on all concessions agreements in effect during fiscal year 1994, such as the total number of agreements, concessioners' revenues, and concessions fees. The second questionnaire asked for detailed agreement-specific information on each concessions agreements either initiated or extended during fiscal year 1994. Details included the amount of revenues and fees, information on whether competition was used to select the concessioner, whether fees was one of the factors considered during competition, how competed agreements were advertised, and terms of agreements. We also requested copies of pertinent agency policies and each agreement that was either issued or extended in fiscal year 1994. The third questionnaire asked for information on agencies' income-generating activities that were not concessions.

We pretested the questionnaires at six federal agencies or agency components: the Department of Agriculture's Forest Service, the Department of the Army Corps of Engineers, the General Services Administration, the Smithsonian, and the Department of the Interior's National Park Service and Fish and Wildlife Service. These agencies—the land management agencies in particular—are responsible for most federal concessions.[1] We revised the questionnaires on the basis of their detailed feedback.

For the purpose of this assignment, we defined "concessions" as private or public entities using federally owned/leased property under a government permit, contract, or other similar agreement to provide recreation, food, or other services to either the general public or specific individuals. Concession services included, but were not limited to, food operations, vending machines, retail shops, public pay telephones, barber/beauty shops, transportation, lodging, marinas, and campgrounds. We excluded

[1]The six land management agencies are the Department of the Army Corps of Engineers; the Department of the Interior's National Park Service, Bureaus of Reclamation and Land Management, and the Fish and Wildlife Service; and the Department of Agriculture's Forest Service.

day care centers, employee association stores, and services provided by the visually impaired under the Randolph-Sheppard Act. State governments manage Randolph-Sheppard concessions that are on federal property. Further, if concessions services in an agency were provided under an agreement with GSA, we requested agencies not to include these operations in their response. GSA agreed to include these concessions in its response.

All 75 agencies responded to our request. Twenty-seven of the agencies said they had at least one concessions agreement. Forty-two respondents provided concessions information, because some agencies, such as the Department of the Interior, had more than one component managing concessions (see app. II). Fifteen of the 27 agencies either initiated or extended at least 1 concession agreement during fiscal year 1994. The Central Intelligence Agency provided an oral briefing on its concessions program and did not provide any details on its concessions agreements.

In response to our questionnaires, we received information on 5,000 concessions agreements. Our information about the agreements comes from only the agencies' questionnaire responses for the agreements. However, to check whether the questionnaires were filled out completely and accurately, we (1) checked selected responses against copies of the concessions agreements that agencies sent to us; (2) checked agency totals for concessions revenues and fees against prior GAO reports; (3) followed up with agency staff in selected cases to clarify their responses; (4) manually reviewed all pages of each form; (5) had specially trained staff convert the data to computer-readable format and verify their entries; (6) manually checked computerized data against the original forms, including all data on concessions revenues and fees; and (7) conducted computerized checks for data consistency. We analyzed the information using standard software for tabulating and analyzing data.

To calculate the rate of return from concessions, we used questionnaire financial data for concessions agreements either initiated or extended during fiscal year 1994. From this reported information, we calculated the rate of return by dividing gross revenues into the sum of concessions fees and the amount in special accounts. For rate of return analyses, we excluded questionnaires that did not contain both gross revenue and concessions fee data.

In addition to the questionnaire data, we also (1) interviewed federal concessions management staff at both headquarters and field levels and officials of the National Parks and Conservation Association and the National Park Hospitality Association; and (2) reviewed our previous work in this area; Inspector General reports; and laws, regulations, and policies for each federal entity's concessions operations.

To determine how the federal government's rate of return compared with that of other governments, we used the data we obtained from objectives one, two, and four and sent a questionnaire to five state governments and Canada. We selected the five states—California, Maryland, Michigan, Missouri, and Tennessee—on the basis of information we received from the National Parks and Conservation Association. The information showed that these five states had relatively high rates of return. We visited two of the states—Maryland and Tennessee—and met with their key concessions managers. We selected Canada to obtain information on another country's experience.

We did our review from January 1995 to November 1995, in accordance with generally accepted government auditing standards. Because it was impractical for us to obtain comments from all 75 agencies, we provided copies of a draft of this report to the heads of the departments of the six land management agencies for comment. The six agencies accounted for over 92 percent of the concessions. On March 25, 1996, we discussed the draft report with officials designated by the departments. Their comments are discussed on pages 16 and 17.

Major Contributors to This Report

General Government Division, Washington, D.C.

John S. Baldwin, Sr., Assistant Director
Lucy M. Hall, Evaluator-in-Charge
Shirley C. Bates, Staff Evaluator
Abraham L. Logan, Staff Evaluator
Kenneth E. John, Senior Social Science Analyst
Catherine M. Hurley, Computer Programmer Analyst
James M. Fields, Senior Social Science Analyst
George H. Quinn, Jr., Computer Programmer Analyst
Donna M. Leiss, Communications Analyst

Office of the General Counsel, Washington, D.C.

Jill P. Sayre, Senior Attorney

Related GAO Products

Federal Lands: Views on Reform of Recreation Concessioners (GAO-T/RCED-95-250, July 25, 1995).

Federal Lands: Improvements Needed in Managing Short-Term Concessioners (GAO/RCED-93-177, Sep. 14, 1993).

Federal Land: Little Progress Made in Improving Oversight of Concessioners (GAO/T-RCED-93-42, May 27, 1993).

Forest Service: Little Assurance That Fair Market Value Fees Are Collected From Ski Areas (GAO/RCED-93-107, Apr. 16, 1993).

National Park Service: Policies and Practices for Determining Concessioners' Building Use Fees (GAO-T-RCED-92-66, May 21, 1992).

Federal Lands: Oversight of Long-Term Concessioners (GAO/RCED-92-128BR, Mar. 20, 1992).

Federal Lands: Improvements Needed in Managing Concessioners (GAO/RCED-91-163, June 11, 1991).

Forest Service: Difficult Choices Face the Future of the Recreation Program (GAO/RCED-91-115, Apr. 15, 1991).

Recreation Concessioners Operating on Federal Lands (GAO/T-RCED-91-16, Mar. 21, 1991).

Changes Needed in the Forest Service's Recreation Program (GAO/T-RCED-91-10, Fed. 27, 1991).

Parks and Recreation: Maintenance and Reconstruction Backlog on National Forest Trails (GAO/RCED-89-182, Sep. 22, 1989).

Parks and Recreation: Problems with Fee System for Resorts Operating on Forest Service Lands (GAO/RCED-88-94, May 16, 1988).

Parks and Recreation: Interior Did Not Comply With Legal Requirements for the Outdoors Commission (GAO/RCED-88-65, Mar. 25, 1988).

Parks and Recreation: Park Service Managers Report Shortfalls in Maintenance Funding (GAO/RCED-88-91BR, Mar. 21,1988).

Maintenance Needs of the National Park Service (GAO/T-RCED-88-27, Mar. 23, 1988).

Parks and Recreation: Limited Progress Made in Documenting and Mitigating Threats to the Parks (GAO/RCED-87-36, Feb. 9, 1987).

Parks and Recreation: Recreational Fee Authorizations, Prohibitions, and Limitations (GAO/RCED-86-149, May 8, 1986).

Corps of Engineers and Bureau of Reclamation's Recreation and Construction Backlogs (GAO/RCED-84-54, Nov. 25, 1984).

The National Park Service Has Improved Facilities at 12 Park Service Areas (GAO/RCED-83-65, Dec. 17, 1983).

Information Regarding U.S. Army Corps of Engineers Management of Recreation Areas (GAO/RCED-83-65, Dec. 17, 1983).

National Parks' Health and Safety Problems Given Priority: Cost Estimates and Safety Management Could Be Improved (GAO/RCED-83-59, Apr. 25, 1983).

Increasing Entrance Fees: National Park Service (GAO/RCED-82-84, Aug. 4, 1982).

Facilities in Many National Parks and Forests Do Not Meet Health and Safety Standards (GAO/CED-80-115, Oct. 10, 1980).

Better Management of National Park Concessions Can Improve Services Provided to the Public (GAO/CED-80-102, July 31, 1980).

Concession Operations in the National Parks—Improvements Needed in Administration (GAO/RED-76-1, July 21, 1975).

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested