



## Testimony

Before the Subcommittee on National Parks, Historic Preservation and Recreation, Committee on Energy and Natural Resources, U.S. Senate

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# PARK SERVICE

## Need to Address Key Management Problems That Plague the Concessions Program

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the management of the Park Service's concessions program. Our comments are based primarily on two reports—both of which we did at the request of this Subcommittee. The first report, which we issued in August 1998, reviewed the condition of lodging facilities in 10 national parks. The condition of these facilities varied considerably from park to park and was at times quite poor.<sup>1</sup> The second report addresses key management problems in the concessions program and options available to address them.<sup>2</sup>

In summary, our most recent work shows the following:

We found shortcomings in the agency's overall approach to managing the concessions program that center on three areas: (1) the inadequate qualifications and training of the agency's concessions specialists and concessions contracting staff, (2) the agency's out-of-date practices in handling its contracting workload as well as its chronic backlog of expired contracts, and (3) a lack of accountability within the concessions program. For the most part, these problems are long-standing and are consistent with similar concerns raised by the Department of the Interior, its Office of the Inspector General, and Park Service concessions staff.

The Park Service has two principal options available for dealing with the problems identified in the management of the concessions program: (1) using better hiring and training practices to professionalize the workforce and thus obtain better business and contracting expertise or (2) contracting for the needed business and contracting expertise. These two options are not mutually exclusive in that the agency could contract for expertise in certain functions while developing the expertise in-house for other functions. No matter which option—or combination of options—it selects, the agency needs to strengthen its accountability for and control of the program. Unless this is done, the effectiveness of other changes to the program will likely be diminished.

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<sup>1</sup> *National Park Service: The Condition of Lodging Facilities Varies Among Selected Parks* (GAO/RCED-98-238, Aug. 6, 1998).

<sup>2</sup> *Park Service: Need to Address Management Problems That Plague the Concessions Program* (GAO/RCED-00-70, Mar 31, 2000).

## **Background**

Concessioners play a significant role in providing services to many of the over 270 millions visitors who annually visit the national park system. Concessioners, which are private businesses operating under contracts with the Park Service, provide facilities and visitor services such as lodging, food, merchandising, marinas, and various guided services. In 1998, the latest year for which data are available, 630 concessioners provided visitor services in many of the 379 park units located across the nation. These concessioners generated about \$765 million in revenues, of which about \$479 million (almost two-thirds) came from the 73 concessioners that provide lodging.

For many years, concerns have been raised by the Congress, the Park Service, and GAO about the need to reform existing concessions law and better manage the agency's concessions program. In November 1998, the Congress enacted a new concessions law as part of the National Parks Omnibus Management Act of 1998. One of the Congress's intentions was that the new concessions law would increase competition in the award of new concessions contracts. In addition, the law established an advisory board whose mission was to advise the Secretary of the Interior on improvements the agency could make in managing park concessioners.

### **Long-Standing Management Problems Affect the Condition of Lodging Facilities**

Concerns about the qualifications and training of the Park Service's concessions staff have been raised several times since 1990 by the Department of the Interior's Office of the Inspector General and the agency's own staff. (App. I lists several notable reports and other documents that discuss these concerns.) The primary concern raised was that the agency's concessions staff do not normally have the business, financial, and contracting backgrounds needed to successfully carry out the concessions program. The Park Service has made only limited progress in addressing these concerns. The agency has made few efforts to professionalize its workforce by hiring staff with education or experience in business management or hospitality management. Instead, it has filled concessions positions by internally transferring staff out of other career fields. Once

transferred, the agency's concession staff receive only limited training. A more qualified and better-trained workforce would have a better understanding of industry trends, best practices, and the tools needed to effectively manage concessioners. Rather than seeking to professionalize the workforce, the chief concessions official in one regional office said, the agency has taken the view that "anyone can do concessions." Our work indicates that this comment typifies the agency's approach to managing its concessions program.

In addition to these problems with the qualifications and training of its concessions staff, the Park Service's concessions contracting practices are out-of-date and do not reflect the best practices of the federal government, the private sector, or even other contracting programs within the agency. For example, contracting staff in other agencies throughout the federal government are encouraged to write contracts that are performance based—meaning that the contracts contain incentives for good performance and disincentives for performance that falls below expectations. However, the agency's concessions program is not using performance-based contracts, and, according to several senior Park Service concessions program officials, has no plans to do so. Furthermore, for about 10 years, the agency has had difficulty addressing its contracting workload in a timely manner, resulting in chronic backlogs of expired concessions contracts. Many concessions contracts expired 5 to 10 years ago, and concessioners have since been operating on 1- to 3-year contract extensions. These expired or extended contracts contribute to the varying condition of lodging facilities because concessioners operating under short-term contract extensions, or nearing the end of their contracts, are less likely to invest in their facilities to make needed capital improvements.

The third major management issue affecting the concessions program is a lack of accountability. While the Park Service, like other federal agencies, is trying to improve accountability and program performance in response to the Government Performance and Results Act (GPRA) and other related initiatives, the concessions program is an area where these efforts need to be improved. Under the agency's organizational structure, the head of the program—the Chief of Concessions—has no direct authority over those that implement the program in individual park units. Thus, the organizational structure

of the agency limits the impact that the head of the program or other central offices can have on its ultimate success. This structure relies on regional directors holding park superintendents accountable for the results of their parks' concessions programs. However, concessions officials in the Park Service's headquarters and two largest regional offices indicated that this is not occurring. Specifically, they acknowledged that superintendents are not being evaluated on the results of their concessions programs. Further contributing to this lack of accountability is the fact that there is no process in place for headquarters or regional staff to ensure that park concessioners are meeting the agency's minimum acceptable standards or that these standards are being consistently applied. In the private hotel/motel industry and the Department of Defense—which manages similar activities—independent inspection teams are used to determine the condition of facilities and services being provided to the public. The Park Service does not have such teams. As a result, Park Service management has no systematic way of determining what, if any, problems are occurring throughout the agency; whether corrective actions are necessary; or whether new initiatives are warranted.

### **Options Are Available to Address Problems in Managing the Concessions Program**

Two options are available to the agency to deal with the problems identified in its management of the concessions program: (1) professionalize the workforce to obtain better business and contracting expertise or (2) contract for the needed business and contracting expertise.

The first option focuses on improving the skills and abilities of the Park Service's concessions staff by changing the agency's hiring practices and upgrading its training. Rather than filling concessions positions with staff transferred from other career fields within the agency, the Park Service could hire staff with backgrounds or education in hospitality and/or business management. By doing so, the agency would gradually develop greater in-house expertise in managing concessioners in a more businesslike manner. In addition, the agency could upgrade the training of its concessions contracting staff so that they were as well qualified as other agency contracting staff

outside the concessions program. As it is now, the Park Service staff responsible for administering procurement and acquisition contracts receive far more training than their counterparts in the concessions program.

The benefit of pursuing this option would be that the agency could develop a more qualified, better-trained, and professionalized workforce. However, the agency's past record in taking action to address these issues is not encouraging. Many of the concerns we have raised in this report about the qualifications of concession staff have been raised repeatedly over the past 10 years by the Department of the Interior's Inspector General and by several different departmental or agency task forces. Several times over this period, the Park Service has generally agreed that it needs to professionalize its concessions workforce. However, as our work indicates, the agency has not made significant progress in this area.

Alternatively, the Park Service could contract for the expertise it needs to operate its concessions program. Contractors could be hired to handle a number of financial and business-related tasks, such as planning, writing contract prospectuses, performing financial analysis, assisting with contracting, and evaluating the performance of concessioners.

Contracting for business-related staff would have several benefits. For example, through contracting, the agency could obtain a highly qualified workforce in a short period of time. In addition, the agency would gain some workforce flexibility because it could adjust the number of staff needed to fit the size of its upcoming workload. Contracting would allow the agency to bring more staff on to handle its backlog of expired and expiring concessions contracts and to reduce the number of contractor staff when the workload is diminished.

Furthermore, contracting for certain functions has the potential to improve the program's performance as well as reduce its costs. For example, traditionally, one responsibility of park concessions staff was to conduct inspections of the concessioners' facilities and operations. These inspections can be subjective, and the application of standards can vary from park to park. If the agency centralized and contracted for this

function, it could perhaps perform inspections with fewer people and yet achieve greater consistency across the agency.

While contracting has the potential to reduce some costs in the concessions program, it could also increase some costs, particularly in areas where the agency would contract for larger numbers of highly skilled staff than it currently maintains. However, some of these increased costs could be mitigated by centralizing certain functions, such as inspections. In addition, the increased costs could be mitigated by reducing the number of agency staff in the concession program.

The two options available to the Park Service for dealing with its concessions management problems are not mutually exclusive, in that the agency could contract for expertise in certain functions while developing expertise in-house for other functions. These options are principally focused on improving the agency's management of its largest concessioners—most of which are lodging concessioners. In our view, once the agency has made changes in the concessions program to address its largest concessioners, the benefits of additional expertise—whether acquired through hiring, training, or contracting—are likely to cascade down to improve the management of its smaller concessioners.

Finally, regardless which option or combination of options it selects, the Park Service will need to strengthen its accountability for and control of the concessions program. Unless changes are made to better link the concessions programs at the park level with the agency's leadership of the concessions program, the impact of efforts to improve the program through the suggested options will be reduced.

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In closing, while the Park Service's concessions program continues to affect the experiences of millions of park visitors each year, the management of the program continues to be plagued by some of the same problems it faced as many as 10 years ago. For the most part, these management problems are well documented and well known. In fact, the agency generally agreed with the findings and recommendations in our report.

However, until the agency takes action to address these management problems, it will continue to struggle in managing the performance of concessioners to ensure that these operators consistently provide high-quality facilities and services to park visitors. To address these problems, our March 2000 report recommended that the agency (1) either improve the qualifications of its own concessions staff, contract for these services, or engage in some combination of the two; and (2) improve the accountability of park managers by establishing a formal process for performing periodic independent inspections of concessioners' lodging operations throughout the park system and reporting the findings to the head of the agency for corrective action.

This concludes my statement. I would be happy to answer questions from you or other Members of the Subcommittee.

### **Contact and Acknowledgment**

For further information on this testimony, please contact Barry T. Hill at (202) 512-3841. Individuals making key contributions to this testimony included Cliff Fowler, Ned Woodward, and Frank Kovalak.

Appendix I

**Notable Reports and Memorandums That Raise Concerns About the Qualifications and/or Training of Park Service Concessions Staff**

Source and date of report/memorandum	Concerns raised by report/memorandum
<i>Report of the Task Force on National Park Service Concessions</i> , U.S. Department of the Interior, Apr. 9, 1990	Concessions staff do not normally have the business, financial, and contracting backgrounds needed to successfully carry out the concessions program.
<i>Follow-up Review of Concessions Management, National Park Service</i> , Report No. 90-62, Office of the Inspector General, U.S. Department of the Interior, April 1990	Agency staff working in concessions do not have sufficient educational backgrounds to perform their work well. The report recommends improving the qualifications of staff working in the concessions field.
<i>Report of the Concessions Management Task Force</i> , U.S. Department of the Interior, Nov. 4, 1991	This report recommends that all agencies within the Department recruit staff for their concessions programs with a basic knowledge of business, including such subjects as contract law and administration, hotel/restaurant management, and financial management.
Memorandum from the Director of the Park Service on Personnel Staffing for National Park Service Concessions, Jan. 12, 1994	The agency needs more concessions staff with education or experience in business, accounting, business law or the hospitality industry. To recruit qualified staff, the Director suggests that the agency look for candidates outside the government.
Park Service concessions work group, June 1994—findings reported in <i>Concession Careers Future Task Force Report</i> , National Park Service, Oct. 97.	The agency needs to develop a recruitment program, enhance training and development, and improve career development.
<i>Concessions Management Curriculum Task Force Report</i> , National Park Service, Sept. 1995	The concessions management program has failed to give its employees the training they need to manage the complex concessions program. A systematic, comprehensive employment development program is needed.
<i>Concession Careers Future Task Force Report</i> , National Park Service, Oct. 1997	This report outlines a series of human resource management processes and recommendations to strengthen and professionalize the staff needed to effectively manage concessions.

Source: GAO's compilation of agency documents.

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