Trends, Patterns, & Issues…

In NPS Prospectuses
• Length and fee
• Visitation and services
• Investments for improvements
• Deferred maintenance
• Competitive financial barriers
• Unaddressed issues
• Long-term evolution
Length

In 47 prospectuses since Jan 2016

• Contracts still are 10 years.

• *When a concession’s operating plan is stable, NPS is not releasing contracts longer than 10 yrs.*

• 3 prospectuses since 2016 increased more than 10:

<table>
<thead>
<tr>
<th>Large $ Improvements</th>
<th>First prospectus failed</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOGA001 (15 yrs)</td>
<td>√</td>
</tr>
<tr>
<td>LAKE007 (15 yrs)</td>
<td>√</td>
</tr>
<tr>
<td>EVER001 (20 yrs)</td>
<td>√</td>
</tr>
</tbody>
</table>
Minimum Fee

In 24 prospectuses since Jan 2017

- Fee increases in almost half of prospectuses.
- Fee can decrease! … when original prospectus fails.
  7 out of 8 fee decreases since 1/2017 occurred when a prospectus failed and had to be re-released.
- Fee increases sometimes do not follow the logic of “it takes investments into account:”

<table>
<thead>
<tr>
<th>Large Investment</th>
<th>Fee Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 1 yr. estm. Gross</td>
<td>10 points higher</td>
</tr>
<tr>
<td>Over 50% of 1 yr Gross</td>
<td>4 points higher</td>
</tr>
</tbody>
</table>
Fee Issues

• NPS is not soliciting feedback before prospectuses.
• The NPS fee planning algorithm may not be good.
• The NPS fee planning algorithm is not transparent.
• NPS judgment of commercial business may be poor.
• Does limited competition prevent fee increases?
Visitation and Services – Reasons to work as partners

In 24 prospectuses since Jan 2017

- NPS reduced services in 5 prospectuses – 4 of which were in locations with capacity limits.
  
  *The concessions often are NPS’s mechanism for accomplishing capacity limits.*

- NPS increased services in 9 prospectuses and

- NPS scored “marketing,” “promotion,” or inclusiveness in the Selection Factors of 10 prospectuses
  
  *The concessions often are NPS’s mechanism for outreach for new Parks, new services and broader spectra of visitors.*
How Improvements are NOT funded

In 24 prospectuses since Jan 2016

• NPS permitted new LSI outright in only 1 prospectus – only after a failed one:

  EVER001 prospectus to resume lodging services at Flamingo

<table>
<thead>
<tr>
<th></th>
<th>Length</th>
<th>Fee</th>
<th>Large $ Investment</th>
<th>New LSI?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original release:</td>
<td>10 yrs</td>
<td>2.9%</td>
<td>$5.4M CFIP</td>
<td>No</td>
</tr>
<tr>
<td>Re-release:</td>
<td>20 yrs</td>
<td>1.0%</td>
<td>$5.4M CFIP</td>
<td>Yes</td>
</tr>
</tbody>
</table>

• No prospectus since April 2016 has had any Initial LSI.
The bottom-line of NPS’s investment “policy”:

- NPS may avoid Initial LSI by buying out LSI before a prospectus, when feasible.
- NPS may avoid concessioner investments by making those investments itself, before a prospectus or early in a contract. (5 prospectuses)
- NPS may avoid new smaller LSI by requiring improvements but prohibiting LSI (2 prospectuses)
  or
- by allowing LSI to be incurred at the concessioner’s choice at bid time (2 prospectuses)
- NPS may avoid new larger LSI by lengthening contracts and requiring investments to be fully amortized by the end of the contract (2 prospectuses).
How Deferred Maintenance is being reduced

In 47 prospectuses since Jan 2016

• Prospectuses with substantial initial deferred maintenance require the deferred maintenance backlog to be cured in the first 1, 2, or 3 years, with or without using (new) maintenance reserves.

  This requirement is a form of initial investment, and can be a substantial barrier in bidding. (E.g., $465K on NACE006, $854K on LAKE007, are large compared to annual gross.)

• Recent prospectuses with maintenance reserve requirements state that no deferred maintenance backlog can persist at the end of the contract, even if maintenance reserves are insufficient.

  Taken together, these approaches theoretically would eliminate all concession deferred maintenance in approx. 10 years – but probably are untenable on contracts with the largest backlogs.
To a bidder, the following are all similar financial barriers:

- Initial carried-forward LSI,
- Initial CFIPs requiring full amortization over a contract, and
- Curing Deferred Maintenance backlog in the first years of a contract.

All of these approaches have the same natural effect: only larger bidders with strong balance sheets can finance these contracts.

NPS prohibiting new LSI in order to “increase competition” has just led to other prospectus approaches with the same barriers.
Prospectuses in the past 2 years have NOT included:

- Provisions for rewarding outstanding performance evaluations.
- Higher scoring for bidders with better previous periodic evaluations.
- Signs of incorporating suggestions from potential bidders.
- Specific mechanisms for an operating concessioner to propose net new services to NPS for possible inclusion in the contract mid-term.
Prospectuses in the past 15 years have evolved:

- Selection Factors no longer score general operating approaches, and prospectuses no longer look for “a good _____ service concessioner.”

- Selection Factors include more scoring for specific changes the Park or NPS want to accomplish, and prospectuses are looking for a concessioner who will solve those specific problems.

Prospectuses now can look more like a solicitation for a builder or a solicitation for specific environmental engineering – while asking much less about how the concessioner plans to run the basic concession.