

**Statement of Terry MacRae, Chairman, National Park Hospitality Association
Before the Subcommittee on Interior, Committee on Oversight and Government
Reform, U.S. House of Representatives, On Modernizing the National Park Service
Concessions Program, July 23, 2015**

Chairman Lummis and Members, the National Park Hospitality Association (NPHA) is pleased to offer this testimony regarding ways to improve the tradition of great visitor experiences in these special places through a partnership between concessioners and the National Park Service. My name is Terry MacRae and I serve as the volunteer Chairman of the NPHA, an organization that supplying more than a billion dollars of visitor services within National Park units each year. We provide lodging and food services, transportation and retail, guide services and more.

I might also share information on my company, Hornblower Cruises. My company has been an NPHA member since 2007, shortly after we commenced round-trip ferry service to Alcatraz Island, a part of the Golden Gate National Recreation Area. Since 2008, we have also provided ferry service to the Statue of Liberty National Monument and the Ellis Island Immigration Museum. Since becoming the concessioner to these amazing, iconic places, we have served over 45 million national park visitors. For these concessions operations, we use a fleet of 15 vessels, including some of the greenest hybrid vessels, and operating year round, we happily provide over 250 direct jobs, including many for professional mariners. Hornblower recently began providing boat tour and hospitality services to the base of the Niagara Falls in Canada, which makes us the “trifecta” operator of iconic boat experiences, and provides us another view on concession operations. In 2014, Hornblower paid over \$19 million in franchise fees to NPS, even though our operations were limited by Sandy.

Hornblower and the other members of NPHA are grateful every day to be a concession partner of the National Park Service. Our association logo proudly proclaims “Great Experiences in Great Places.” My comments today speak to the proven hospitality expertise of our members, promotional talents and contemporary management practices of companies like mine to drive increased visitation and more diverse park visitors as well, thus creating more financial resources for efficient use by the Parks. Our comments also reflect the great respect we have for the employees and the leaders of the NPS. They have a complicated, challenging job of managing some of the nation’s preeminent natural and cultural assets and of keeping these assets relevant and cherished by the American public.

America’s national parks are a marvelous, unifying legacy deserving celebration.

As the National Park Service (NPS) reaches its Centennial year, we can celebrate and continue contributions by leaders from both parties who created this special collection of natural, historic and cultural places – and to invite all to share in their benefits.

But the excitement of a Centennial must not hide the reality that America’s national parks need help.

Our parks need new resources and new strategies. Vision and action shaped our national park system even as America fought and recovered from our Civil War. Vision and action advanced our national park system even in the depths of the Great

Depression. And vision and action today, even as we confront global terrorism and other great challenges, can make the future of America's national park system better.

America's national parks face big challenges today.

National park visitation has been unchanged over 25 years despite a growth in the U.S. population of more than 30%, a surge in international visitors and the addition of dozens of new park units. Visits to national parks in 1987 were 287,244,998 according to NPS. Visits in 2014 were 292,800,082. But if you deduct visitation to just two of the 60+ recent additions – the World War II Memorial and the Franklin D. Roosevelt Memorial – 2014 visitation drops below the levels of 1987. Stagnant park visitation reflects more leisure choices today ***but is also the result of reduced visitor activity choices*** – potential visitors are choosing other destinations. There are fewer park campsites, fewer lodging rooms, fewer restaurant seats, fewer ranger-led walks, fewer tours and outings. Visitor services eliminated by NPS have not been offset by new outdoor activities and special events. Yet new visitor services could generate non-appropriated funding which would supplement and leverage the nearly \$3 billion in general funds received by the agency each year.

Concessioners provide vital visitor services exceeding \$1.2 billion annually in more than 100 national parks.

They provide lodging, food services, gifts and souvenirs, equipment rentals, transportation and other visitor services under competitively-awarded contracts. Concessioners have been creating lasting national park memories for more than 125 years – in fact, early leaders of the National Park Service recruited concessioners to build lodges and other facilities and furnish transportation. As the first Director of the NPS said, "Scenery is a hollow enjoyment to the tourist who sets out in the morning after an indigestible breakfast and a fitful night's sleep on an impossible bed." In fact, concessioners were seen as key to the dual mission of the new agency when it was created in 1916: "... ***to conserve the scenery and the natural and historic objects and the wild life therein and to provide for the enjoyment of the same*** ..."

Concessioners will pay \$100+ million in franchise and other fees this year to NPS.

The in-park concessioner workforce of some 25,000 persons assists an estimated 100 million visitors annually. Concessioners have long been primary promoters of park visits – and the parks in which they operate are among the most visited national park units and are major contributors to the NPS estimate of \$27 billion annually in local economic benefits from park visitors.

Concessioners built many of the lodges and key visitor facilities in our parks.

Many of the first concession companies were affiliated with railroads. More recently, lodging was built by companies linked to some of the biggest park philanthropists – including RockResorts. These buildings are now government property. Maintenance and operation of the facilities largely remain a role for concessioners because NPS has never been able to secure adequate funding for maintenance and modernization.

In 1998, the situation deteriorated. The 1998 Concessions Act needs fixes.

Contracts were shortened to 10 years – even though legislation allowed terms of up to 20 years. The pricing approval process has become more burdensome. Concessioner

efforts to add new visitor services have become very difficult, even where there is no opposition. And despite clear direction from the Congress to make “protecting and preserving park areas” and “providing necessary and appropriate services for visitors at reasonable rates” the primary goals of concessions contracts, NPS is now demanding markedly higher franchise fees – the percentage of all revenue going to the NPS.

Many NPS requests for concessioner services issued have generated no offers.

NPS is pursuing an unsustainable strategy of forcing higher payments by concessioners to the agency while simultaneously reducing business opportunities. The lack of bids for many recent prospectuses strongly suggests that NPS is very likely failing to provide the opportunity for concessioner profitability required by law. Prospectuses costing millions of taxpayer dollars to prepare have had to be redone, adding new taxpayer costs. Other complications have arisen.

While the facilities operated by concessioners need improvements, franchise fees are being used for other purposes.

The law requires that at least 80% of all franchise fees be retained in the unit generating the fees for visitor services and urgently necessary resource management programs and operations, but NPS has “borrowed” these fees for other purposes and other units. Major improvements in concessioner-operated facilities with franchise fees are rare.

There has been no expansion of concessioner-provided visitor services to the new units of the national park system.

In fact, concessioner services have not even been contemplated as the new unit planning process proceeds.

Efforts to promote national parks in conjunction with the 2016 Centennial of the National Park Service will magnify the challenges.

Inviting all Americans to visit their parks complies with the mission outlined in the Organic Act of the NPS: ***“The service thus established shall promote and regulate the use of the Federal areas known as national parks, monuments, and reservations.”*** But we need to be prepared: when Americans accept the invitation and actually show up at their parks, dated and inadequate visitor services will not deliver great park experiences.

NPS actions undercut contemporary, top-quality concessioner visitor services and directly contradict its own policy for concessioner-provided services:

Concessioners fill a vital role in helping the National Park Service (NPS) carry out its mission. Private companies are drawn to working with NPS in order to offer services to park visitors, which are not provided directly by the government. Concessioners specialize in these operations and are thus able to provide quality services at reasonable prices. By welcoming the private sector as a partner in park operations, the National Park Service broadens the economic base of the region and communities surrounding the parks.

It's time to use vision and action to overcome these challenges. We can fix the challenges and ready our parks for generations of new visitors. Some changes will

require legislative changes – but in many cases, solutions can be achieved by changes in agency operations and by ensuring cooperation and communication needed for shared park protection and visitor services efforts. Here's how:

	Allow contemporary hospitality services	Promote visitation	Expand park resources
1) NPS should end reliance on 10-year contracts for concessioner operations which require substantial investments. <u>Congress should extend the allowed contract length beyond the current limit of 20 years to a maximum of 40 years</u> when such a term would allow complete or significant recovery of concessioner investments in visitor infrastructure and perhaps even allow for historic tax credits.	X		X
2) <u>Congress should charge NPS with submitting at least 12 significant opportunities to expand appropriate visitor services each year for five years. The opportunities should either reduce/eliminate deferred maintenance or expand visitor services at no substantial cost to taxpayers through private investments.</u> Some structures with substantial deferred maintenance should be replaced with new facilities meeting today's best design standards, including both LEED- and ADA-related standards.		X	X
3) <u>NPS should replace the burdensome, costly and inflexible design-focused prospectus process with a new performance-based one,</u> paralleling the use of foundation documents to replace general management plans. Existing concessioners should be actively involved in the discussion of "next-generation" concessions in a park unit, and the entire process should be more transparent.	X		
4) <u>NPS should welcome concessions operations changes to reflect new technologies and visitor expectations. Testing of new services should be encouraged</u> – like raising the Dry Tortugas ferry cap or utilizing food trucks rather than new permanent buildings where long-term demand is uncertain or seasonal.	X	X	X
5) <u>NPS should encourage integration of all visitor services in parks, including campground management, to provide better visitor access to all overnight accommodations.</u> Unified marketing of visitor services, including overnight options, will increase utilization of public investment and opportunities.	X	X	X
6) NPS should <u>encourage, recognize and reward appropriately superior operations by concessioners. Rewards can be determined locally and might include contract extensions, increased discretion on pricing and more.</u>	X		

7) <u>Congress directed the Forest Service in 2011 to encourage ski areas to add appropriate new services under existing permits and under existing provisions for payments to the federal government. Congress should take parallel action for concessioners in national parks</u> , allowing reasonable mid-contract changes promptly where the new services are appropriate.		X	X
8) Congress should authorize <u>park-level special accounts for visitor facility construction and reconstruction by concessioners</u> , and authorize special visitor service surcharges to fund these projects.		X	X
9) Congress should <u>increase the size of concession contracts which qualify for preferential right of renewal from \$500,000 in annual revenues to \$1 million or more.</u>	X		
10) Congress should allow NPS to <u>incorporate recognition of and credit for superior performance by a concessioner in the evaluation of new concessions offers</u> while still encouraging competition designed to improve visitor services and park resource protection.	X	X	X
11) Congress should encourage concessioners and <u>NPS to enter into long-term agreements with gateway destination management organizations and other entities which allow key park visitor services to be underwritten</u> with local tourism taxes and fees.		X	X

I am pleased to augment this presentation with statements by a variety of NPHA members, large and small, with suggestions for improving the National Park Service concessions program, including those from my own company.

***Terry MacRae, Chairman, National Park Hospitality Association
c/o Hornblower, Inc.
Pier 3 the Embarcadero, Hornblower Landing
San Francisco, CA 94111
tmacrae@hornblower.com (415) 983-8241***

Terry MacRae founded Hornblower Yachts, Inc.(doing business as Hornblower Cruises & Events) in 1980, and serves as Chief Executive Officer, the President and is also its owner. Mr. MacRae is the Co-founder of HMS Global Maritime and the American Queen Steamboat Company, and serves as Chief Executive Officer of Alcatraz Cruises, LLC, Statue Cruises, LLC, and Hornblower Canada Co. He leads one of the largest and fastest growing charter yacht, dining cruise and ferry operating companies in the nation. He is an expert in the design, renovation, construction and operation of green/hybrid passenger vessels, and a highly regarded leader in the fine dining, entertainment and tourism development sectors. He led the team that successfully won 10-year-long contracts, awarded by the National Park Service, to provide the exclusive transportation of visitors to Alcatraz Island, and the Statue of Liberty National Monument and Ellis Island Immigration Museum, and most recently won the exclusive contract to provide boat tours to the Niagara Falls in Ontario, Canada. He began his career as an environmental engineer with Industrial Clean Air, Inc. Quickly climbing the corporate ladder, Mr. MacRae served as Vice President and Vice President of Sales following the acquisition of Industrial Clean Air by Ecolaire Systems, Inc., where he looked for exciting and memorable venues for entertaining clients and soon began frequenting Hornblower Tours in Berkeley. By placing a great deal of importance on customer service, safety and teamwork, he grew the original two-boat acquisition to a 60+vessel, \$200 million company with over 1,000 employees, who served an estimated 8,000,000 guests in 2014. He served as President of the Passenger Vessel Association (PVA) and helped to create the joint U.S. Coast Guard/PVA Partnership Action Team and is a past member of the Society of Naval Architects and Marine Engineers. He was selected as California Travel Industry Association's Entrepreneur of the Year in 1999. Mr. MacRae also served in the past as a board member for San Francisco Travel, the U.S. Travel Association and as a Commissioner and Vice Chairman for the California Travel & Tourism Commission, which promotes travel to and within the state. He is currently the Chairman of the National Park Hospitality Association, an organization of national park concessioners; the Chairman of the National Parks Promotion Council, an organization that promotes visitation to our national parks; and the Vice Chair of the California Chamber of Commerce. He has been profiled in several leading business publications, including the San Francisco Business Times and the Financial Times. Mr. MacRae is a graduate of California State Polytechnic University at San Luis Obispo with a Bachelor of Science degree in Mechanical Engineering. He has two daughters, Grace (Cornell Hotel School '11) and Camille (SAIC '14), and resides in the San Francisco Bay Area with his wife Mary (Cornell Hotel School '78).



Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name:

TERRY MAURAE

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2012. Include the source and amount of each grant or contract.

NONE

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

NATIONAL PARK HOSPITALITY ASSOCIATION

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2012, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

None

I certify that the above information is true and correct.

Signature:

Date:

7/20/15