

Statement of Alex Klein
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Subcommittee on Interior, Committee on Oversight and Government Reform, U.S. House of
Representatives
On Modernizing the National Park Service Concessions Program
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Chairman Lummis, and members of the Subcommittee, thank you for the opportunity to testify today regarding the National Park Service (NPS) Concession Program. My name is Alex Klein and I am the Vice President and General Manager of Grand Teton Lodging Company and Flagg Ranch in Grand Teton National Park in the great state of Wyoming.

Background

Grand Teton Lodge Company was originally founded by John D. Rockefeller Jr. as he was purchasing land that became part of what is now Grand Teton National Park. The creation of Grand Teton Lodge Company by John D. Rockefeller in the early days of the National Park was to meet the needs of visitors to enjoy these public lands. Over the years, private investment did what couldn't be done through public funding. The Danny Ranch (now Jenny Lake Lodge) was expanded and bathrooms added to the rustic cabins. Jackson Lake Lodge was constructed as one of the first modern lodges in the National Park system and contained 385 guest rooms and 10,000 square feet of meeting space to host not only traveling families but also significant events and conferences such as the Annual Symposium hosted by the Kansas City Federal Reserve and the 1989 meeting of Secretary of State James Baker and Soviet Minister Eduard Shevarnadze that resulted in the thawing of the cold war. One hundred sixty-six (166) historic cabins from guest ranches throughout the park were relocated to Colter Bay and modernized to accommodate visitors. Three remote meal sites were selected to provide meals to visitors that were participating in activities so that they could be well served while experiencing the grandeur of the Park. These privately built facilities were subsequently turned over the National Park Service to be operated as concession facilities.

Today, Grand Teton Lodge Company and Flagg Ranch Company continue to care for and improve these facilities.

The two concession contracts held by Grand Teton Lodge Company and Flagg Ranch Company operate 680 overnight lodging rooms, over 950 campsites (including camper cabins and tent cabins), nine restaurants and lounges, 13 retail outlets, and three gas stations. Additionally, we operate visitor activities including: a full-service marina with rental boats, scenic lake cruises, and guided fishing; horseback and wagon rides in four locations; wild and scenic river raft trips down the Snake River; and guided fly fishing. The facilities operated include the Historic Jenny Lake Lodge and Historic Cabins of Colter Bay Village and Jackson Lake Lodge, a Historic Landmark.

It must be noted that Grand Teton National Park is fortunate to have an incredible group of National Park Service staff that we work very closely with every day. Park Superintendent David Vela is to be commended for his leadership. Together we have recently hosted a kick-off event for the Every Kid in a Park Program, welcoming 65 fourth-grade students and 21 parents and teachers from Blackfoot, Idaho for a two-day experience in the Park. We are also excited to support the Park's

Inspiring Journeys project that is currently underway to restore and improve the trails and visitor-service area in the heavily used south Jenny Lake area of the Park. This project is a great public/private project that will enhance the visitor experience in Grand Teton National Park for many generations to come.

The mission of Grand Teton Lodging Company and Flagg Ranch Company is the same as our parent company Vail Resorts and that is: Experience of a Lifetime. In partnership with the National Park Service, we strive to provide guests in the Park with an Experience of a Lifetime whether they are staying with us at one of our properties or just passing through for the day.

My comments today are in the spirit of the successful partnership we have with the National Park Service and identifying areas for future conversation as we look towards the future of the National Park Service and the role of concessioners in the parks.

There are three main areas I would like to focus on today: the ability for concessioners to improve their facilities and service to address changing guest expectations, implementing modern business practices to more efficiently administer the concession program, and the process by which outstanding concessioners can be recognized in the contract-bid process.

Improving Facilities & Services

We are living in an exciting time of generational change, technology changing how we communicate and also how we experience travel, and federal budget constraints. This reality raises many questions that collectively must be answered to ensure that National Parks remain relevant:

How can the Parks meet expectations of a generation that is more diverse and has less experience with nature?

How can Parks preserve the past while meeting the needs of today's visitors and competing globally with other destinations?

With an increase in the deferred maintenance backlog (now estimated at over \$11 billion) reflecting a deterioration of facilities and infrastructure, can Parks continue to even maintain the status quo?

What is not at question is that the preservation of the natural landscapes, diverse wildlife and cultural resources should remain the primary mission of the NPS. I am not a proponent of significant growth of facilities and infrastructure within our National Parks but I do believe there are opportunities for responsible expansion and enhancement of our visitor services and facilities in the already developed areas of the Parks.

As we prepare for the next century of the National Park Service and welcome people from around the globe, I believe that modernizing the partnership with concessioners will continue to play a large role ensuring that "America's Greatest Idea" continues to live up to that designation. I am happy to report that we have not been standing still in preparing for the future at Grand Teton.

Facilities

A recent condition assessment of Grand Teton Lodge Company resulted in finding of just \$2 million in deferred maintenance across the 350+ structures under our care. This assessment represents strong stewardship as \$2 million is a very small percentage compared to the value of these assets and many of the findings have been addressed in the last two years.

Beyond maintaining facilities, we strive to meet the needs of visitors through improvements.

In campgrounds that were historically operated by the National Park Service, we've made significant improvements. These include better ADA accessibility, more electric hook-ups, the addition of bear boxes in many locations, and the addition of 40 camper cabins to the Flagg Ranch campground to provide accommodations for those traveling without a tent. Sleeping bags and tent rentals are also available at Flagg Ranch for those travelers that might be new to camping. With rates starting at \$24.00 (\$12.00 for those with a Senior Pass) and gas prices at their lowest in many years, camping is a very affordable way to visit the National Parks.

Grand Teton Lodge Company is a leader in bringing high speed internet connectivity to visitors in the developed areas of Grand Teton National Park. In 2014, we were able to work with internet providers to install a full gigabit circuit to serve our guest and employee facilities and now have high speed internet in all guest rooms at Jackson Lake Lodge and Jenny Lake Lodge as well as select locations throughout Colter Bay Village. This service also helps us to attract high-quality employees and is available to them in our onsite dormitories, a 72-site employee RV park, and year-round staff housing. We are actively working with the National Park Service to expand this service to include more facilities, including Flagg Ranch that currently has very poor connectivity.

We just recently completed a renovation of all guest bathrooms at Jackson Lake Lodge, the renovation of six public restrooms and critical infrastructure upgrades to employee and back-of-house facilities. We continue to work with the National Park Service on projects to enhance the visitor experience and protect these historic assets.

Services

We've had recent successes in working with the NPS to enhance and expand services in Grand Teton National Park. This year we added an outdoor kitchen to our Blue Heron Lounge at Jackson Lake Lodge to provide higher quality food and increased variety to the menu. We've recently taken an underutilized space in our Jackson Lake Lodge Gas Station and converted it to a small retail outlet selling convenience items and souvenirs. Lastly, we received and executed a contract amendment to add guided kayak tours to our offerings out of our Colter Bay Marina. We are currently working on a proposal that will add a small "spa" facility to Jenny Lake Lodge and anticipate making a request to expand employee housing to meet the need for a larger work force.

Recommendations

It is important for the NPS and concessioners to maintain flexibility in the contracts to address services and improvements not anticipated at the beginning of the contract term.

A simplified process for capital projects would lead to better use of funds and more timely investment and encourage projects improving the visitor and employee experience.

As we've worked to undertake capital projects under the current contracts, it is apparent that, for both concession personnel and the National Park Service, the process is confusing and difficult to administer. The complexity of the process is a disincentive to capital investment and often times delays needed investment with increased planning and approvals required of all parties.

Illustrative of this complexity is the budgeting of funds around projects. Like many current concession contracts, we are required to fund and ultimately together with the NPS co-administer a maintenance reserve account. A maintenance reserve is a best industry practice utilized by leading hospitality management companies to hold owners accountable for upgrades; however, this account only contemplates one type of expenditure.

Undertaking renovation projects often times requires the use of funds classified as personal property, leasehold surrender interest (LSI) eligible expenses for projects that exceed 50% of the building value or assets that are considered fixtures, and cyclical maintenance such as paint and carpet. Projects such as installing new assets like buried fiber optic cable for communications pose challenges as in many cases this type of infrastructure doesn't fit the current draft guidance for investment classification. In other cases, elements such as partitions, moveable walls, marina docks and other rather permanent assets are classified as personal property and not eligible for use of maintenance reserve fund expenditures. Each project requires significant analysis and detailed breakdown to determine funding both in planning and in the ultimate determination credit to each type of expenditure. This process takes a significant amount of time and resources for both concession and NPS personnel. In many cases, classification of expenditures doesn't align with GAAP practices, creating additional confusion and tracking challenges.

Modernizing Concession Administration

In a world where consumers can shop and compare hotels and services online, concessions must abide by decades-old practices. While we work very closely with local concessions personnel and other NPS staff members to operate efficiently, required processes and lack of understanding on both sides ultimately create challenges that are counter to our shared goals. Current concession administration includes price approvals and standards/service evaluation resulting in significant administrative burdens to both concessions and NPS staff.

In markets such as Jackson Hole, it could be argued that consumers have a choice staying in the town of Jackson or nearby Teton Village in addition to the in-park lodging and that, in essence, rates on concession hotel product should be determined by the market. While Grand Teton Lodge Company and a few other concessioners are located in the Park, we are in fact in many

cases equidistant or farther from major visitor attractions such as the new Craig Thomas Visitor Center, the new Laurence S. Rockefeller Preserve, and the popular hiking destinations of Inspiration Point and Hidden Falls.

We've recently worked with NPS to pilot the use of modern revenue management strategies such as length-of-stay restrictions and are currently collecting data on the movement of rates in the local market to determine if more flexibility in approved lodging rates would better match the yield-management strategies used in the industry.

Through our online comment card systems, we receive real-time feedback from the thousands of visitors that stay overnight in our accommodations, shop in our stores, dine in our restaurants, and participate in our activities. We share access to this system with the National Park Service, allowing them full review of all guest feedback. Furthermore, tools such as TripAdvisor, Yelp and other consumer review websites measure performance that can be viewed by consumers and Park personnel alike.

Recommendations

Consider whether or not the current NPS process of standards and evaluations remains relevant with the wealth of data available through these systems and tools that monitor visitor experience.

Encourage the further testing of modern revenue management strategies that will help lead to increased distribution of NPS hotel room inventory to visitors, higher occupancy, and a more efficient concession management program.

Recognizing Outstanding Concessioners in NPS Bid Process

Grand Teton Lodge Company was very pleased to be awarded our current concession contract that began in 2007 and expires in 2021. We are equally pleased that Flagg Ranch Company was awarded a similar 15-year concession contract in 2011.

In the 60 years that Grand Teton Lodge Company has operated in Grand Teton National Park and the four years that Flagg Ranch Company has operated the John D. Rockefeller Memorial Parkway, we feel that our overall performance has been strong: providing guest with Experiences of a Lifetime, building a sustainable business that makes a reasonable profit for our shareholders, building strong relationships with the local community, and successfully partnering with the National Park Service. We strongly believe in the NPS mission of preserving unimpaired the natural and cultural resources of the National Park System for the enjoyment, education and inspiration of this and future generations.

The current competitive process for concession contracts is imperfect. On one hand, the current process has done a good job of raising the bar for performance and challenges concessions to operate more safely, sustainably and provide greater care to assets. It creates a challenge to the incumbent and other bidders to better the status quo. On the other hand, the unintended consequence of the current process has been further consolidation of concession contracts, less competition and the reward of concession contracts to those that can deliver not necessarily the

best operations but the best proposal. There is likely no perfect process for all stakeholders but there may be areas in which strides can be made.

As we are now in the second half of our concession contract at Grand Teton Lodge Company, we remain committed to our shared goals and are optimistic that our continued strong performance for visitors and preserving the assets in our care will benefit us as we seek another contract.

Recommendations

A system designed to reward those that do provide excellence in concession operations would benefit both incumbent concessioners as well as the National Park Service. Rather than challenging ourselves to innovate every time a concession contract comes up, it would encourage constant innovation and excellence in the performance of a contract. Knowing that strong performance would have a significant impact on retaining a contract would enhance business value and allow for ongoing investment in facilities and a longer term strategic vision.

Longer contracts for known strong performers could provide the security of a return on investment where significant facility and infrastructure upgrades are required. These longer contracts could reduce the administrative burden and cost of prospectus development mutually benefiting all parties.

The current process lacks transparency and doesn't allow unsuccessful bidders to understand their perceived shortcomings. This lack of transparency also leads to mistrust of the process, whether real or perceived.

Conclusion

Chairman Lummis, members of the Subcommittee, thank you again for the opportunity to be here today. Thank you to the men and women of the National Park Service who steward the National Park System on behalf of the American public and future generations.

I look forward to continuing our work with the National Park Service to provide the Experience of a Lifetime to our guests now and in the future. There is no lack of opportunity for us to collaborate to benefit the parks, our guests, and our businesses and I look forward to continuing that dialogue.

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