



Recreation Resource Management

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January 20, 2010

U.S. Forest Service
Attn: Carolyn Holbrook
Recreation and Heritage Resources Staff
1400 Independence Avenue, SW., Stop 1125
Washington, DC 20250-1125

Subject: Proposed Directives for Forest Service Concession Campground Special Use Permits: Published in the Federal Register / Volume 229k, No. 74, December 1, 2009.

Dear Carolyn,

These comments are submitted on behalf of Recreation Resource Management (RRM) in response to the request for comments regarding a proposed change to Forest Service directives governing permits for operation of campground and related Granger-Thye concessions, as published in the Federal Register on December 1, 2009.

Recreation Resource Management has been a USFS campground concessionaire for over 20 years. In this last year, we operated 18 USFS special use permits, serving over 1.2 million visitors and employing over 400 people. We operate a wide variety of sites, from campgrounds to high-visitation day use facilities to snow play areas. We also have perspective gained from working with a number of agencies, as we also have concessions with the National Park Service, California State Parks, Texas State Parks, Arizona State Parks, the Tennessee Valley Authority, and a number of water and power companies. The campgrounds we operate have been selected among the "Top 100 Family Campgrounds" over 15 times in just the last five years.

Historic Concerns:

RRM has historically expresses several concerns about the fee pass program to the USFS

Concern #1: Senior discounts leading to higher fees for younger families

Concessionaires place great value on the seniors who compose a large portion of their guests. Most concessionaires are uniquely committed to seniors - what other business group can claim that over two thirds of their paid employees are over the age of sixty-five? However, the historic 50% discount that concessionaires have extended to seniors for camping in Forest Service campgrounds has become untenable. At a typical \$16 or \$18 per night camp site, there simply is not a means to provide quality services to the large portion of the public with Golden Age or Senior discount cards (sometimes as many as 40% of visitors) for \$8 or \$9 a night. As a result, rates to younger visitors and families have been raised to subsidize the growing number of campers with Golden Age or Senior passes.

In 2009, we have found the contrast between rates paid by older and younger visitors to be especially stark. This last year, we saw a flood of new, younger visitors whose economic fortunes were diminished, perhaps because of a lost job. USFS campgrounds have provided an inexpensive recreation option for families on a reduced budget. This has led to younger unemployed families trying to make ends meet but still recreate paying \$18 a night for camping parked right next to, and helping to pay for, a million dollar bus motor home of a well-off retired family paying \$9.

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An example to illustrate the economics and impacts of the 50% discount is as follows:

A campground charges a \$16 fee, and has a thousand site-days of visitation per year. Without any Golden Age pass discounts, this yields \$16,000 a year of revenue. Then, assume that 10% of the visitors have a Golden Age Pass and they qualify for a 50% discount. This means that 900 site-days are now at \$16 and 100 are at \$8, for total revenue of \$15,200. To get back to the original revenue level, the base fee would have to be raised to \$16.84. So the addition of 10% of the campers with Golden Age Passes raises the rates to all other campers by 5-1/4%. Similarly, if the Golden Age visitation in this example went to 20% of campers, then the base fee would have to be increased to \$17.78 to keep total revenues the same. By the time Golden Age visitation rises to 30% of the total, the average family is paying nearly \$3 a night to subsidize Golden Age visitation.

I am sure there are groups that wonder why the discount simply cannot be provided out of the concessionaire's profit margin. Our profit per camping night is barely \$1 in a very good year, and is less than zero in many years (the USFS can confirm that as they have copies of all of our recent tax returns from our past bidding). Given that, it should be obvious why a \$8 discount for certain customers is going to be born almost entirely by other customers, rather than the concessionaire.

This cross-subsidy is ultimately unsustainable given changing demographics, and it is inconsistent with the Forest Service's goals to encourage new, younger visitors to participate in outdoor recreation.

Our first preference for a solution is for the USFS to reimburse concessionaires for the discount given to seniors. We understand how the US Government might have a public policy goal to provide special pricing to seniors, but in that case the US Government should be willing to fund the program, rather than paying for it, as is done now, with a cross-subsidy from younger visitors.

Concern #2: Providing discounts or free use for paid passes without receiving any pass revenue

As part of the comprehensive re-evaluation of the fee pass program, the Forest Service set a goal to improve the value, utility, and acceptance of the America the Beautiful (ATB) annual pass. Currently these passes are not applicable at most concession-operated sites in the Forest Service (or at concession operated sites of any other Federal agency).

For several years, the Forest Service has been seeking a formula whereby it could require concessionaires to accept the annual ATB pass for free use of concession-operated standard amenity fee sites. However, the Forest Service has always been reluctant to reimburse concessionaires for free or discounted use given to preferred groups and/or pass holders.

The Forest Service cannot collect the fees for these passes and then require private businesses to provide free services to pass holders without compensation. This is both a fairness issue, as well as a regulatory one. If concessionaires are required to provide substantial free use, there is a conflict with the Service Contract Act, which is administered by the Department of Labor.

Our first preferences for a solution is for the USFS to reimburse concessionaires for free pass visits out of pass sale revenues. This is exactly the approach we have used with the Coconino National Forest, as the USFS in Sedona reimburses us for free day use visits by Red Rocks Pass holders. This reimbursement is not at full fee – we offer the USFS a discount due to a number of factors including our reduced cost from not having to handle the fee cash – but it was negotiated in good faith between the USFS and our company and has been in place and working for nearly 10 years.

Concern #3: Poor control and accountability for passes, especially with reservations

The Golden Age pass program, and more recently the America the Beautiful pass program, have never had the kind of controls we would usually expect of card programs that have substantial monetary value. We would expect a well-designed pass program to have cards with serial numbers tied to an accessible online database that matches card numbers to names and, ideally, one other ID number (such as drivers license number).

While we have had some problems with visitors to parks attempting to use borrowed cards, the main headache has been in the reservation system, where the reservations contractor claims there is no way to check whether the pass number given by a customer is valid. As a result, 50% discounts are often given in reservations to customers without valid cards, and, due to the programming in the reservation system, are often given on up to four sites when only one site discount is allowed per card.

The result is substantial confusion at check-in, forcing the concessionaire to attempt to collect extra fees from reservations customer who received golden age discounts but who have no valid discount card. This also irritates customers, whose expectation has been set that they had fully paid in advance and no extra fee payments at the gate would be required.

Concern #4: Confusion and poor integration of national and local pass programs

The US Forest Service has developed a particularly confusing and overlapping system of fee pass programs. In addition to the Golden Age/Access and ATB pass programs at the national level, many individual forests have fee pass programs for high-impact areas (such as the Mt. Lemmon pass and Red Rocks pass here in Arizona). These pass programs have widely varying rules, pricing, and applicability, and sometimes (in our opinion) push the envelope of FLREA rules as to what sites may and may not charge fees.

It is our observation that it is these regional and local fee pass programs that have been most responsible for the growth of public opposition to USFS fees and the creation of various no-fee groups and coalitions. The USFS desperately needs to address these programs, setting and enforcing uniform rules.

RRM's Position on the Proposed Changes

Our company's reaction is that we are willing to accept these proposed changes without being wildly enthusiastic. We believe these do incrementally introduce more rationality in the USFS fee system and overall are a good deal for the public; further, financially, the changes should be fair for our company; however, we are concerned that these changes leave a number of issues unresolved and continue to set poor precedents for the future.

Response #1: From a short-term financial perspective, these changes should roughly balance for us at most of our concessions

Unlike many concessionaires, we track our golden age / senior pass visitation (except in reservations, which can't be tracked easily). Before inevitable visitation changes due to higher fees, our walk-in Golden Age / Senior revenue would go up \$280,000 based on last years numbers. Assuming 15% of our day use visitors have a pass allowing free entry, we would lose \$279,000 based on last years numbers. These numbers roughly balance, though, like the analysis in the rules change, it is too static. Senior visitation will almost certainly go up as their effective fees rise, and pass purchase will likely increase as the value of passes increase (since more facilities will be accepting them). When combined with new discount programs we are considering for seniors at targeted times and locations, we hope to make these numbers balance in the future.

By the way, for reasons of our own beliefs, we intend to continue to offer 50% discounts for Golden Access and ATB Access passes for the foreseeable future, no matter how the pass program is changed.

Response #2: This is good for younger families and “More Kids In The Woods”

While current fee discounting is currently enjoyed disproportionately by just a few groups, the new rules will spread the access to discounts to a much wider audience, and allow discounting policies to better match available capacity. In particular, younger visitors and families will no longer be increasingly subsidizing golden age visitation. This, in turn, will help support the Forest Service’s goals of getting new visitors into the national forests in programs such as ‘Kids in the Woods.’

Response #3: This is consistent with USFS philosophy of providing free or inexpensive standard amenity site with expanded amenity sites at closer to market rates

Unlike the National Park Service, the USFS has always been able to offer a basic-level access to the forest for free to the public, charging only for campgrounds and other developed sites that require substantial upkeep. It strikes us that this policy is consistent with this historic philosophy, bringing developed camping rates closer to market rates (though still inexpensive) while providing more free use opportunity to day visitors.

Response #4: Brings USFS into line with other agencies

To our knowledge, no other federal agency provides a 50% camping discount to seniors either in their concession-run facilities or even in their agency-managed facilities. This policy change brings the USFS into closer alignment with other agencies.

Response #5: We are very disappointed that USFS establishes the precedent that private companies must provide free use for passes for which they receive no revenue.

Success of the pass program could in the long run lead to more problems under these new rules.

Our organization has always been uncomfortable with being asked to achieve political goals with private funds. In particular, the Forest Service has historically adopted the goal to favor certain groups, like seniors, over other visitors with substantial discounts. Our company has always been neutral to this basic goal, but opposed to the way it has been implemented - by forcing a cross-subsidy by younger visitors in the form of higher fees.

Unfortunately, these rules do not eliminate, they only shift, the cross-subsidy, as camping customers will be asked to subsidize day use visitors. As this has always been the effective situation in the USFS, this may not overly concern the USFS. But we are disappointed that the Forest Service did not address the underlying issue, and attempt to devise a program that compensated concessionaires for providing the free use. It is a terrible precedent being set that the USFS will keep 100% of the revenue from the pass program, but ask third-party private companies to provide a substantial portion of the expense to serve the pass visitation.

Further, the most critical risk to these rules is from the Department of Labor. It is our experience that the Department of Labor (DOL) is actively seeking ways to have USFS concession contracts be reclassified as subject to the Service Contract Act (SCA). The requirement that private concessionaires provide free use to USFS passholders could well be the next platform the DOL uses to challenge special use permits. We have been audited at least three times by the DOL, and in each case only a lot of team effort between our company and the USFS deflected the DOL effort to declare existing campground special use permits

to be subject to the SCA. The DOL, for lack of a better term, seems to have an institutional resentment that these permits are not subject to SCA and seems intent on continuing to challenge them. It goes almost without saying that making permits subject to the SCA would virtually destroy the concession program, as only a handful of current permits could support SCA-level wages and record keeping.

Response #6: The surcharge is a poor way to deal with gains we may have in certain permits. USFS should allow local negotiation, and in particular should allow excess to be returned to customers rather than paid to USFS.

The surcharge formula approach does not provide enough flexibility to take into account local permit issues – a superior approach would be to allow each District or Forest to negotiate its own arrangements. NFRA informally surveyed our members as to how they might handle the situation where this policy resulted in higher net revenues. We are already discussing a range of potential substitutes for the 50% discount program. Each of these are actual proposals we have made informally (since no final policy exists) with various districts

- a. Proposing a multi-year use fee freeze in the permit, or deferring currently scheduled fee increases.
- b. Offering the public new discounts, perhaps for longer stays, shoulder-season stays or mid-week stays.
- c. Offering new programs, investments, and/or rates to encourage new visitors to the recreation sites, including contributions to ‘Kids in the Woods’ programs.
- d. We have already decided to continue to offer Golden Access and Access pass discounts of 50% at all the campgrounds we manage.

In a typical bid process for a new concession, the Forest Service ranks service and fees to the public as a more important considerations than increasing fees to the Forest Service. Based on this priority, each of these proposals I listed above should be considered superior to the surcharge approach. For this reason, and because the issues at every district are different, we ask that districts and forests be given the flexibility to work out changes with the concessionaire locally. This is in the spirit of how most permit issues are handled, as districts and concessionaires continually work out mutually acceptable agreements to permit operations in light of changing conditions.

By the way, as an additional issue, the analysis proposed in the rules changes simply will not work – it is overly static and does not take into account visitation changes due to increases and decreases in discounts.

Response #7: With increasing commitment to pass program, USFS must address control and accountability issues

This USFS proposal will only increase the popularity of certain passes. This simply increases the need for the USFS to address basic control and accountability issues in the pass program.

Response #8: These changes are going to increase the pressure on the USFS to deal with regional fee pass issues.

Again, we believe that much of the anger over fee issues has been engendered by a variety of regional and local fee pass programs in the USFS. Proliferation of national passes is only going to increase the confusion and frictions associated with these multiple programs.

Response #9: These pass rules appear to be inconsistent with the language of FLREA and the text on the passes themselves

While I am not a lawyer and don't want to be one, it seems to me that these rules conflict with the language of FLREA, which seems to state that the passes will not apply to concession-run facilities. It is not clear to us under what legislative authority these rules are issued, or under what legislative authority the USFS may require concessionaires to provide uncompensated discounts for these Federal pass programs.

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Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in blue ink, appearing to read "Warren Meyer", is written over a light gray rectangular background.

Warren Meyer
President
Recreation Resource Management