

BUSINESS OPPORTUNITY

**For the Operation of a Gift Shop at the South Rim of
Grand Canyon National Park**

CC-GRCA005-09

United States Department of the Interior
National Park Service

SUMMARY OF BUSINESS OPPORTUNITY

This Summary provides a synopsis of the key elements of the National Park Service Draft Concession Contract CC-GRCA005-09 (Draft Contract), included in this Prospectus as Tab IV, for operation of a gift shop on the South Rim of Grand Canyon National Park. In the event of any inconsistency between the terms of the Draft Contract and this Summary, the Draft Contract will control.

Nature of the Business and Services Provided

The Business Opportunity section of this Prospectus describes the commercial visitor services required within the Draft Contract. The following visitor services are required:

Operation of a gift shop, including sales of:

- American Indian handicrafts
- Souvenirs and curios
- Thematic apparel
- Photographic supplies
- Postcards, photographs, paintings, prints, and reproductions
- Thematic books, periodicals, and publications
- Limited convenience items

There are no services which are authorized only.

Annual Total Revenues

2002	2003	2004	2005	2006
\$2,193,126	\$2,184,679	\$2,125,536	\$2,189,322	\$2,413,535

Required Repair and Maintenance Reserve

Two percent (2.0%) of annual gross receipts.

Required Facility Maintenance Obligation Expense

Two percent (2.0%) of annual gross receipts.

Minimum Franchise Fee

Six percent (6.0%) of annual gross receipts.

Term of Draft Contract

The Draft Contract is for a term of ten years beginning on its effective date, estimated as January 1, 2009.

The effective date of the Draft Contract is subject to change prior to contract award if determined necessary by the National Park Service. The expiration date of the Draft Contract will be changed to continue the same term length from any adjustment to the effective date.

Estimated Required Initial Investment

Possessory Interest *	\$2,582,668
Personal Property	\$190,000
Inventory	\$600,000
Total	\$3,372,668

* The possessory interest value has been established per Amendment 3 to the Existing Contract.

No Preferred Offeror

The Director has determined that no Preferred Offeror for this Draft Contract exists pursuant to the terms of 36 C.F.R. Part 51. This solicitation for commercial services is fully competitive.

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INTRODUCTION

The National Park Service (Service) seeks proposals for the operation of a gift shop on the South Rim of Grand Canyon National Park (Area). This Prospectus describes in general terms the existing businesses operations and the future business opportunities for the facilities and services required by the Service. Offerors are responsible for reviewing all sections of this Prospectus and, specifically, the terms and conditions of the attached Draft Concession Contract CC-GRCA005-09 (Draft Contract), including its exhibits, to determine the full scope of a future Concessioner's responsibilities under the Draft Contract. The Service is conducting this solicitation in accordance with the National Park Service Concessions Management Improvement Act of 1998 (Public Law 105-391), as implemented by the Service in 36 C.F.R. Part 51. This Prospectus is issued under the authority of 36 C.F.R. Part 51. In the event of any inconsistency between the terms of this Prospectus and 36 C.F.R. Part 51, 36 C.F.R. Part 51 will control. In the event of any inconsistency between the terms of the Draft Contract and this Prospectus, the Draft Contract will control. Copies of Public Law 105-391 and 36 C.F.R. Part 51 are included in the Appendix to this Prospectus.

The term "Concessioner" as used in this Prospectus refers to the entity that will be the Concessioner under the Draft Contract. The term "Existing Concessioner" refers to Verkamp's, Inc., the Concessioner under the Existing Concession Contract (Existing Contract). The Existing Contract, as amended, is included in the Appendix to the Prospectus.

The National Park Service and its Mission

America's National Park Service was created by Congress to:

...conserve the scenery and the natural and historic objects and the wild life therein, and to provide for the enjoyment of the same in such a manner and by such means as will leave them unimpaired for the enjoyment of future generations. (*16 U.S.C. 1*)

Additionally, the Congress has declared that the National Park System should be:

...preserved and managed for the benefit and inspiration of all the people of the United States. (*16 U.S.C. 1a-1*)

To learn more about the National Park Service, visit our website at www.nps.gov. This site includes information about the Service, its mission, its policies, and individual park information.



GRAND CANYON NATIONAL PARK

The Area includes approximately 1,218,375 acres of public land on the southern end of the Colorado Plateau in Arizona. It is a globally significant natural resource containing scenic vistas known throughout the world. The Grand Canyon averages a depth of 4,000 feet for its entire length of 277 miles. It is 6,000 feet deep at its deepest point and 15 miles wide at its widest point.

On January 11, 1908, President Theodore Roosevelt reserved land in the Grand Canyon of Arizona as the Grand Canyon National Monument by presidential proclamation. In his proclamation, President Roosevelt stated that the Grand Canyon of Arizona “is an object of unusual scientific interest, being the greatest eroded canyon in the United States, and it appears that the public interest would be promoted by reserving it as a National Monument” (Proclamation No. 794).

On February 26, 1919, Congress dedicated and set apart Grand Canyon National Park “as a public park for the benefit and enjoyment of the people” (Grand Canyon National Park Establishment Act, 40 Stat 1175).

Exhibit 1

View from the South Rim in front of the Gift Shop Store



Source: National Park Service

Over the years, the Area has been enlarged and its boundaries revised, most recently on January 3, 1975, when Congress recognized “that the entire Grand Canyon, from the mouth of the Paria River to the Grand Wash Cliffs, including tributary side canyons and surrounding plateaus, is a natural feature of national and international significance” (Grand Canyon National Park



Enlargement Act, Public Law 93-620). In this act, Congress recognized the need for “further protection and interpretation of the Grand Canyon in accordance with its true significance.”

These legislative statements, in addition to the National Park Service Organic Act, as amended, effectively provide the foundation for Area management. Management seeks to protect the natural and cultural resources of the Area, while providing for “the benefit and enjoyment of the people” through resource-based interpretive programs and appropriate public and concession facilities.

The Service clarified the Area’s mission through the following goals:

- To preserve and protect its natural and cultural resources and ecological processes, as well as its scenic, aesthetic, and scientific values
- To provide opportunities for visitors to experience and understand the environmental interrelationships, resources, and values of the Grand Canyon without impairing these resources

Grand Canyon National Park is nationally and internationally significant for the following reasons.¹

World Heritage Site: The Grand Canyon is recognized as a place of universal value, containing superlative natural and cultural features that should be preserved as the heritage of all people. The Grand Canyon was designated as a world heritage site on October 26, 1979.

Natural Resource/Natural Ecosystem Processes: The great biological diversity of the Area includes examples of five of the seven life zones and elements of three of the four types of deserts in North America. The Area serves as an ecological refuge, with relatively undisturbed remnants of dwindling ecosystems. As stated in its establishing legislation, the Grand Canyon is the “greatest eroded canyon in the United States.”

Natural Resources/Research: Six research natural areas have been designated in the Area (8,845 acres total) to provide opportunities for nondestructive research in areas relatively uninfluenced by humans. The Area is known for nationally significant research in a number of fields (e.g., geology, geomorphology, paleontology, ecology, air quality, aircraft effects, and noise).

Cultural Resources: Six American Indian groups, represented by eight tribal governments, have close and sacred cultural ties to the Grand Canyon, with some considering the canyon their original homeland and place of origin. These six American Indian groups are the Havasupai, Hopi, Hualapai, Navajo, Zuni, and Southern Paiute.

Scenic Qualities and Values: The Grand Canyon has internationally recognized scenic vistas, qualities, and values. The great variety of scenery includes forests, deserts, canyons, plains, plateaus, volcanic features, streams, and waterfalls. The Grand Canyon’s class 1 air quality is extremely important to its scenic views.

¹ The following points of significance are summaries of longer descriptions provided in the “General Management Plan,” Grand Canyon National Park, Arizona, August 1995.



Natural Sounds and Solitude: The Grand Canyon is recognized as a place with unusual and noticeable natural sounds, and direct access to numerous opportunities for solitude.

Spiritual/Inspirational Qualities: All of the natural, cultural, and scenic qualities of the Grand Canyon, coupled with the canyon’s vast size, give rise to inspirational/spiritual values and a sense of timelessness.

Recreational Opportunities: A wide diversity of resource-based recreational opportunities and support services help visitors experience, enjoy, and appreciate the Area. The vast majority of the Area provides opportunities for wilderness-type experiences. The Bright Angel Trail, Kaibab Trail, and River Trail are designated national recreation trails as part of the national trails system. The Colorado River, as it flows through the Area, provides opportunities for one of the world’s premier river experiences, including one of the longest stretches of navigable white water on earth.

**Exhibit 2
Grand Canyon Area Map**



Source: National Park Service

Additional information about the Area is available at www.nps.gov/grca.



MARKET AREA OVERVIEW

Arizona Tourism Market

Arizona is a premier destination for outdoor adventure and tourism. Its attractions include the Grand Canyon, Lake Mead, Glen Canyon, and Lake Havasu. Tourists visit Arizona year-round, with a relatively even distribution of visitation across each month.²

In 2002, the L. William Seidman Research Institute in the College of Business at Arizona State University reported that tourism accounts directly and indirectly for about \$30 billion of the state’s economy. This economic impact derives from nearly 30 million overnight visitors and 19 million day trip visitors and is the driver for 450,000 jobs, or about 20% of total employment in the state.

In 2003, Arizona economic sectors most directly impacted by tourism (lodging, restaurant/bar, retail, and amusements) generated more than \$435 million in tax revenue for the state, a 4.9% increase over 2002. Tourism spending in Arizona was estimated at \$7.4 billion in 2003.

Visitor Demographics. Arizona visitors are generally highly educated, affluent individuals between the ages of 35 and 54. In 2003, 43% of overnight leisure visitors reported incomes in excess of \$75,000, while an additional 21% reported incomes between \$50,000 and \$74,999. More than half of visitors reported maintaining positions at the managerial/professional/sales/technology level. According to the Arizona Office of Tourism, the average spending per domestic overnight visitor per day is over \$106 and the average total direct spending of these visitors is \$12.1 billion.

Exhibit 3 Facts at a Glance: Arizona Overnight Leisure Visitor Profiles, 2003

78% of Visitors Reported Visiting for Leisure
Average Party Size: 2.2 People Average Length of Stay: 4.1 Days
Top Tourist Origin States
Arizona (36.2%) California (26.2%) Nevada (3.5%)
Mode of Transportation
64% Arrive by Car 26% Arrive by Airplane

Source: Arizona Office of Tourism

Local Market Area: Coconino County, Arizona

Northern Arizona’s Coconino County is home to a wide array of natural and cultural attractions for visitors. Of all of these attractions, the Grand Canyon is the most well known.

² Arizona Department of Tourism following points of significance



Covering over 18,600 square miles, Coconino County is the second largest county in the lower 48 United States, but it is one of the most sparsely populated. Only 13% of Coconino County is owned by individuals or corporations; Indian reservations cover 38% of the land, the U.S. Forest Service and Bureau of Land Management combine to control 32%, the State of Arizona owns 10%, and other public entities, such as the Service, control 7% of the land.³

Resident Demographics. In 2002, Coconino County’s population was 125,420. The Arizona Department of Economic Security projects that Coconino County will grow to about 169,000 people by 2020, reflecting compound average annual growth of 1.9% between 2000 and 2020. Exhibit 4 below shows actual and projected population data for Coconino County and Arizona as a whole.

**Exhibit 4
Actual and Projected Population Data for the Grand Canyon Region**

	1990	2000	2010	2020	CAGR 90-00 (Actual)	CAGR 00-20 (Projected)
Coconino County	96,591	116,320	147,352	169,343	1.9%	1.9%
Arizona	3,665,228	5,130,632	6,145,108	7,363,604	3.4%	1.8%

Source: Arizona Department of Economic Security

About half of Coconino County’s residents live in Flagstaff, the county seat, home to Northern Arizona University and the majority of the county’s labor force. Flagstaff is approximately 80 highway miles away from the South Rim of Grand Canyon National Park, an estimated 1.5 hours driving time.⁴

As shown in Exhibit 5 below, 1999 per capita income in Coconino County was \$17,139. In 2003, the average hourly wage rate in Coconino County was \$13.49 (the fourth lowest rate in the State out of fifteen counties). The three largest employment sectors in Coconino County are Government, Services and Miscellaneous, and Trade, respectively.⁵

**Exhibit 5
Per Capita Income in Coconino County**

Per Capita Income	1989	1999	CAGR
Coconino County	\$10,580	\$17,139	4.9%
Arizona	\$13,461	\$20,275	4.2%

Source: Arizona Department of Economic Security

3 Arizona Department of Commerce
 4 Map Quest
 5 Arizona Department of Commerce

Arizona adopts the federal minimum wage rate of \$5.15 per hour for non-tip earners, and \$2.13 per hour in direct wages for tip-earners.⁶ The lowest wage paid to concession employees by the Existing Concessioner in 2005 was \$7.50 per hour. The Existing Concessioner also provides employee housing, because of lack of housing within a comfortable commuting distance.

Coconino County's tourism market is highly seasonal. On average, for example, hotels and motels generate nearly four times the revenue per available room in July that they do in January.

Northern Arizona as a whole has a lively trade in gifts, souvenirs, and American Indian handicrafts and art. Since many visitors to Grand Canyon National Park currently arrive by car, they have numerous opportunities to stop and purchase mementos along their way to and from the Area.

Gateway Communities

Many visitors to the South Rim pass through the communities of Flagstaff or Williams, Arizona. More information regarding the business climate of these communities is available at <http://www.flagstaffchamber.org/> and <http://www.williamschamber.com>.

The village of Tusayan, near the south entrance of the Area, eight miles from the location of this business opportunity, provides a host of services to Area visitors, including hotels, an IMAX movie theatre, restaurants, helicopter tours, and a number of merchandise stores and shops. More information regarding the Tusayan community and retail opportunities at this largest of the gateway communities is available at <http://www.grandcanyonchamber.com>. Approximately 77% of the Area's South Rim visitors enter by car or bus through Tusayan. Tusayan may attract some retail business away from the South Rim, but its impact appears limited, especially in the category of higher-quality American Indian handicrafts.

The village of Cameron, approximately 50 miles east of the east entrance (Desert View) to the Area, is known for its large trading post, including exceptional American Indian handicrafts, as well as a Navajo Arts and Crafts Center. Approximately 17% of the Area's South Rim visitors enter through Cameron, based upon 2003 data.

While each of these areas provide shopping opportunities for visitors, the retail stores on the South Rim provide more direct competition to this business opportunity.

⁶ Tip-earner minimum wage applies to all employees earning over \$30 per month in tips.



THE SOUTH RIM OF THE GRAND CANYON

Grand Canyon Village

According to the 2000 national census, approximately 2,000 persons reside year-round in the area of Grand Canyon Village, including Tusayan. Approximately 293 are employed on a permanent basis by the Service, while others are employed by various concessioners, service providers, businesses in the gateway community, or are family members. Year-round community services within the Area include a K-12 school, medical clinic, post office, bank, general store, churches, child day care, and recreation center.

Visitor Profile

Grand Canyon National Park is the single most visited tourist attraction in Arizona. The South Rim receives approximately 92% of Grand Canyon visitation. In 2003, 91% of South Rim visitors claimed the United States as their place of residence, while 9% of visitors indicated residence in a foreign country. Exhibit 6 provides a breakdown of South Rim visitation by place of residence.

Exhibit 6
South Rim Visitors by Place of Residence

Non-United States	
England	3%
Other Countries	6%
United States	
California	13%
Arizona	7%
Texas	7%
Florida	6%
Other States	55%

Source: National Park Service

Of South Rim visitors, 74% visited the Area as one of several destinations, 22% visited it as their primary destination, and 4% reported that their Area visit was not a planned destination. Seventy-six percent (76%) of Area visitors stayed overnight, in the Area, in the gateway community of Tusayan, or in the surrounding area (including Flagstaff, Williams, and Cameron). Xanterra at the South Rim, LLC, the largest Area concessioner, reports that its hotel guests stay an average of 1.5 nights. Ninety-two percent (92%) of visitor groups that reported spending money included 2 or more adults. Eighty-four percent (84%) of visitor groups that reported spending money had children with them.

The median visitor group's expenditure during a visit to the Area and the surrounding area was \$330. The estimated average per capita expenditure was \$162. Exhibit 7 displays the breakdown of expenditures. Retail spending is included in "all other purchases."



Exhibit 7
Expenditures in Grand Canyon National Park and Surrounding Area

Department	Share
Hotels, motels, cabins, etc.	29%
Camping fees and charges	2%
Guide fees, charges	12%
Restaurants and bars	18%
Groceries, take-out food	4%
Gas and oil	5%
Other transportation	9%
Admissions, recreation, etc.	8%
All other purchases	12%
Donations	1%

Source: National Park Service

Number of Visitors

Exhibit 8 summarizes Area annual visitation from 1997 through 2006. On average approximately 4,300,000 people visit Grand Canyon National Park each year, of whom about 92% visit the South Rim. Exhibit 8 breaks down 2006 visitation by month.

Exhibit 8
Grand Canyon National Park Visitation

Grand Canyon Total Annual Visitation		Monthly Visitation in 2006	
1997	4,510,251	January	163,222
1998	4,239,682	February	178,982
1999	4,575,124	March	296,498
2000	4,460,228	April	419,253
2001	4,104,809	May	451,576
2002	4,001,974	June	509,456
2003	4,124,900	July	578,208
2004	4,326,234	August	507,951
2005	4,401,522	September	399,117
2006	4,279,439	October	352,556
		November	239,306
		December	183,314
Average	4,302,416	Total	4,279,439

Sources: Public Use Statistics Office (<http://www2.nature.nps.gov/stats/>)



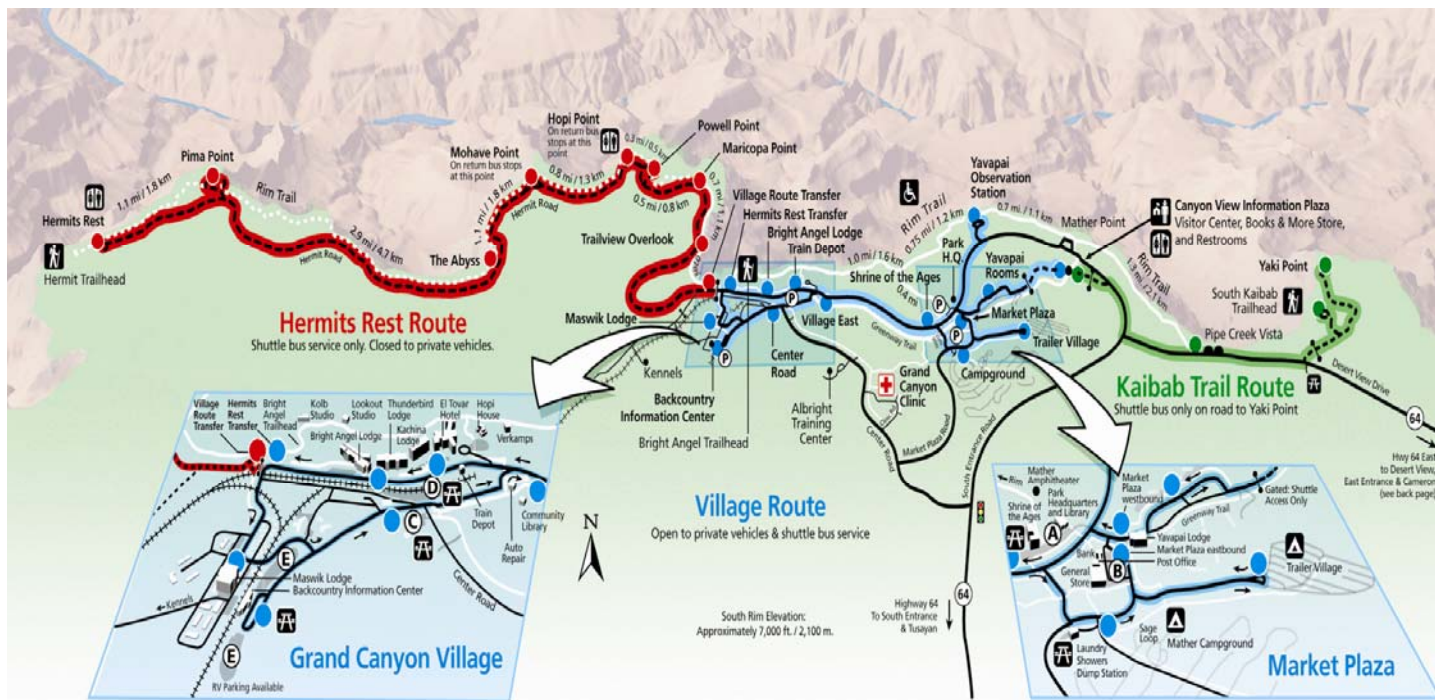
CURRENT AREA OPERATIONS

Area Community

The Service considers concessioners and other business operators within the South Rim developed area as important community members whose actions have dramatic and important effects upon visitors and Area resources. As such, concessioners must understand and embrace the Service’s mission, participate in the Area community, and work to achieve Area objectives while also striving to fulfill their own organizational and business goals.

Many permanent employees reside in Grand Canyon Village year-round. Housing within 50 miles of the South Rim is extremely limited. The closest communities with viable housing markets are Williams, Arizona, 55 miles away, and Flagstaff, Arizona, 80 miles away.

Exhibit 9
Map of the Developed Area of the South Rim



Source: National Park Service

Concession Operations

This business opportunity is one of several major concession operations on the South Rim. Each concession operation meets the Service’s goal of providing commercial services that are necessary and appropriate to enhance visitors’ enjoyment of the Area while ensuring the protection of the Area’s resources and values.



Visitor services occur throughout the Area, but many are concentrated in an area within walking or close driving distance of this gift shop. A map of this area, commonly called the Grand Canyon Village, is at Exhibit 9.

This gift shop is located in the Grand Canyon Village Historic District, a half-mile-long stretch of buildings that allows pedestrians to stroll along a rim-side trail enjoying Canyon views and finding opportunities for lodging, dining, and shopping.

Following is a brief description of each of the Area's concessioners and retail partnerships, with Internet links to each concessioner's website. We provide more information regarding competitive retail operations later in this Business Opportunity.

South Rim

- Verkamp's, Inc., is the Existing Concessioner of this business opportunity. The concession has been owned and operated by the Verkamp family since its founding in 1906. See www.verkamps.com
- Xanterra at the South Rim, L.L.C., provides overnight lodging, food service, tours, transportation, gift shops, public showers, laundry, kennel, service station, and mule operations on the South Rim and at Phantom Ranch. See <http://www.xanterra.com/properties/grandcanyonnationalparkslodges.htm>
- DNC Parks & Resorts at Grand Canyon, Inc., operates two general stores. The Canyon Village Marketplace in the Grand Canyon Village includes groceries, camping supplies, souvenirs, and a deli. The Desert View General Store (25 miles from the gift shop store) provides groceries, camping supplies, and souvenirs. See <http://www.delawarenorth.com/Destinations/GrandCanyon.asp>
- Grand Canyon Railway brings in over 190,000 visitors per year, dropping them at the old Santa Fe Railway terminus, from which they either walk to the South Rim or join bus tours for further enjoyment of the Area. See <http://www.thetrain.com>
- Grand Canyon Association, although not a concessioner, sells books and interpretive merchandise in support of the Area's interpretive programs under a non-profit cooperating agreement with the Service. See www.grandcanyon.org

Other Areas of Grand Canyon National Park

- Xanterra Parks & Resorts, Inc., provides overnight lodging, food service, and gift shops on the North Rim. Although it is only ten air miles from the Grand Canyon Village, it is a 215-mile drive away. See <http://www.xanterra.com/properties/grandcanyonnorthrim.htm>
- Grand Canyon Trail Rides provides guided mule and horse rides on and from the North Rim. See <http://www.canyonrides.com/pkgrandcanyon.html>
- Sixteen concessioners provide guided river running trips on the Colorado River. See <http://www.gcroa.org/>

Over 250 other operators provide bus and van tours, guided backpacking, guided day hikes, outfitting, and horseback rides under other commercial authorizations.



COMPETITIVE ENVIRONMENT

This section focuses on the retail operations within the Area on its South Rim that offer direct competition to this gift shop. Offerors must make their own determination of the level and type of competition represented by other operations in the region.

The Draft Contract does not provide exclusive rights to any type of merchandising sales, including American Indian handicrafts. About 16 retail shops operate on or near the South Rim within Grand Canyon National Park. The gateway communities of Tusayan and Cameron also provide similar shopping opportunities. Northern Arizona as a whole has an active tourist economy that includes numerous gift and souvenir shops, art galleries, and traditional trading posts.

Each of the retail stores listed below operates under an agreement with the Service as described in the previous section. Three of them, including Verkamp's, Inc., operate under concession contracts and one operates as a non-profit cooperating association under a cooperative agreement with the Service.

Xanterra at the South Rim, L.L.C., operates nine retail shops on the South Rim. Together, they gross approximately \$3.4 million per year in genuine American Indian handicrafts and an additional \$16.4 million in other gifts and curios⁷. The retail shops include:

- Hopi House. Hopi House emphasizes certified American Indian handicraft items that represent Native Americans of the Southwest, as well as other gift items associated with Native Americans. This gift shop is located immediately next to the gift shop store that is the subject of this Prospectus and is the competitor with the largest selection of American Indian handicraft items.
- El Tovar Hotel. The 100-year-old El Tovar, which has both a gift shop and newsstand, was the first Harvey House at Grand Canyon, anchors the historic village area, and is within easy walking distance from the gift shop store that is the subject of this Prospectus. Its gift shop carries some American Indian handicrafts and highlights the history of tourism and train travel.
- Bright Angel Lodge. The retail shop in the Bright Angel Lodge stresses recent history at Grand Canyon, development of trails, Fred Harvey wranglers, and mule use in the Area. Bright Angel Lodge also features a museum-type history room that carries a limited selection of non-handicraft retail items. Bright Angel Lodge is approximately ¼ mile from the gift shop store that is the subject of this Prospectus.
- Lookout Studio. On the very rim of the Grand Canyon in the historic village area, Lookout Studio focuses on geology of the area and the inspiration provided by the Grand Canyon. Located beside the Bright Angel Lodge, it is also about ¼ mile from the gift shop store that is the subject of this Prospectus.
- Maswik Gift Shop. As part of the Maswik Motor Lodge complex, this Grand Canyon Village operation is further from the rim and not within the historic village. It is a family-oriented shop with general Area-related themes that include wildlife, resources, and children's educational merchandise.

⁷ Source: 2005 Annual Financial Report.



- Yavapai Gift Shop. As part of the Yavapai Motor Lodge complex about 1.5 miles east of the historic village, this shop carries merchandise in line with general Area-related themes that include wildlife, resources, and children's educational merchandise.
- Hermits Rest. Nine miles west of the historic village, Hermits Rest highlights early history of the area including its role as a stagecoach destination and canyon trailhead. Featuring an overall ambience of a resting and gathering place, it provides some refreshments, souvenirs, and other Area-related merchandise.
- Desert View Watchtower. Twenty-five miles east of the historic village, the Watchtower features certified American Indian handicrafts that represent Native Americans of the Southwest. Colorado Plateau, Colorado River, and Painted Desert themes are also highlighted by such merchandise.
- Desert View Trading Post: Twenty-five miles east of the historic village in the Watchtower area, this family-oriented shop supports general Area-related themes that include wildlife, resources, and children's educational merchandise.

DNC Parks & Resorts at Grand Canyon, Inc., operates general stores that include souvenir sales at two locations on the South Rim. Although the stores do not focus on American Indian handicrafts, they do sell a wide variety of traditional souvenirs. DNC grosses approximately \$5 million annually⁸ on its sales of gifts, souvenirs, and sports and hiking equipment. DNC also sells groceries at its locations, but those sales are not included in this total. The two locations are:

- Canyon Village Marketplace, about 1.5 miles east of the historic village.
- Desert View, 25 miles east of the historic village.

Grand Canyon Association, a cooperating association with the Service, operates several shops on the South Rim and the North Rim. This non-profit organization supports education, research, and other programs for the benefit of the Area and its visitors. It focuses on sales of interpretive books and other educational materials. In 2005, gross sales of merchandise by Grand Canyon Association were approximately \$4.6 million. Grand Canyon Association's shops include:

- Kolb Studio, in the historic village area about ½ mile west of the gift shop store that is the subject of this Prospectus.
- Canyon View Information Plaza, about 2 miles east of the historic village.
- Yavapai Point, about 1.5 miles east of the historic village.
- Tusayan Ruins, about 22 miles east of the historic village.
- Desert View, about 25 miles east of the historic village.

⁸ Source: 2005 Annual Financial Report



EXISTING CONCESSION OPERATION

Exhibit 10. View of the Front Entrance of the Gift Shop Store



Source: National Park Service

General Information

The Existing Concessioner is

Name: Verkamp's, Inc.
Address: P.O. Box 96
Grand Canyon, AZ 86023

The Existing Contract, CC-GRCA005-88, originally was executed by the parties in 1988 and will expire on December 31, 2007, or when a new Concession Contract is executed. A copy of the Existing Contract is included in the Appendix.

The Existing Concessioner

Commercial services for visitors to the south rim of the Grand Canyon existed by the late 19th century, prior to the establishment of the national park. Although tourist services were initially spread out along the South Rim, by the early 1900s the terminus of the Santa Fe Railway spur created a focus for visitor services in the area of the present historic village area. In 1905, John G. Verkamp built the permanent structure for Verkamp's Gifts and Curios at the eastern end of what is now the historic village area, where it has operated continuously since 1906. The gift shop building is a two-and-one-half-story, 4,500-square-foot structure, of which approximately 1,800 square feet is sales floor. The store is open year-round, with the exception of approved holiday closures.



The gift shop building is a contributing property to the Grand Canyon Village National Historic Landmark District. It is on the National Register of Historic Places and the National Park Service List of Classified Structures. As a historic structure, it has unique maintenance requirements.

Verkamp's, Inc., features an almost even mix (in terms of floor space) of traditional national park souvenirs and American Indian handicrafts. Historically, the Existing Concessioner created an atmosphere similar to a traditional trading post, with emphasis on unique handcrafted and handmade items, excellent customer service, and personal relationships with both customers and vendors. Consequently, visitors are able to purchase items not found elsewhere.

Merchandise currently sold at the shop includes the following American Indian handicrafts:

- Navajo rugs
- Pottery
- Sterling silver and gold jewelry
- Baskets
- Kachinas

The store also sells postcards, photographs, photographic supplies, paintings, prints, and reproductions, thematic books, publications, apparel, and other typical national park souvenirs. It also sells bottled water.

Community support is provided by the Existing Concessioner. The South Rim of the Area features several community services, such as the school, the recreation center, the medical clinic, and the day care center, that provide distinct and valuable services to concessioner employees and, thus, to concessioners.



FUTURE CONCESSION OPERATIONS

The Draft Contract requires and authorizes the continuation of the existing services and facilities. There are no services that are authorized only.

Visitor Services

Exhibit 11 compares the existing and future required visitor services. The gift shop must emphasize the sale of American Indian handicrafts representing primarily the tribes of the Southwest at a range of prices and styles to provide visitors with the opportunity to purchase an item that suits their tastes and their budgets. The Operating and Maintenance Plans (exhibits to the Draft Contract) provide details on essential operating and maintenance requirements for each required service.

**Exhibit 11
Existing Contract vs. Draft Contract**

	Existing Contract	Draft Contract
Retail		
Operation of a Gift Shop, including sales of <ul style="list-style-type: none"> • American Indian handicrafts • Souvenirs and curios • Thematic apparel • Photographic supplies • Postcards, photographs, paintings, prints, and reproductions • Thematic books, periodicals, and publications • Limited convenience items 	Required	Required (No material change)

Although the Existing Contract requires the provision of photographic developing, the Service has relieved the Existing Concessioner of this requirement. Photographic development is not required in the Draft Contract.

Concessioner Employees

The Draft Contract requires the next Concessioner to provide housing as needed and recreation programs for its employees. The Concessioner may charge employees only a sufficient amount to recover the cost of providing these services.

Concession Facilities

The Service will assign the Concessioner Facilities in Grand Canyon National Park as necessary for the operation. Exhibit D to the Draft Contract describes the Concession Facilities to be assigned. The availability of any additional housing within the Area is extremely limited, and Offerors must not anticipate any additional assignment of housing.



The condition of these Concession Facilities is generally good. The Concessioner must maintain its assigned facilities in a manner acceptable to the Service. Again, interested parties should review the Operating and Maintenance Plans (exhibits to the Draft Contract) for specific information about the Concession Facilities.

Exhibit 12 outlines the housing assigned and managed by the Concessioner by unit type.

**Exhibit 12
Assigned Employee Housing**

Building Description	Number of Bedrooms/Baths
117 Havasupai Street	3/2
45 Kaibab Street	3/2.5
55 Boulder Street	1/1
Cabin #9 (behind store)	1/1
1227 Bob Mahn Street	3/2
96 Havasupai Street (triplex)	96 A: 1/1
	96B: 1/1
	96C: 2/1
94 Havasupai Street (duplex)	94 A: 2/1
	94 B: 2/1

Source: National Park Service

Rates

Rates charged to the public are subject to approval by the Service.⁹ Historically, the Service required the Concessioner to operate within the limits of a standardized merchandise markup for retail items, published annually by the National Retail Federation. The Existing Concessioner’s financial history reflects that type of rate regulation.

Starting in 2003, the Service began allowing concessioners to set their own retail prices under the requirements of a Competitive Market Declaration.¹⁰ The guidance requires a concessioner to charge rates that do not exceed those of area businesses; prices are still subject to review and approval by the Service. The Service may implement other rate policies at any time at the sole discretion of the Service.

For bottled water, the convenience item the store carries, the Concessioner will use standard markups, which are included in the Appendix. The Service updates these markups annually.

⁹ 16 U.S.C. § 5955

¹⁰ The September 2002, Concession Management Rate Approval Guide is included in the Appendix.

Required Visitor Services

All services for the Draft Contract are required.

Operation of a Gift Shop	Including sales of <ul style="list-style-type: none"> • American Indian handicrafts • Souvenirs and curios • Thematic apparel • Photographic supplies • Postcards, photographs, paintings, prints, and reproductions • Thematic books, periodicals, and publications • Limited convenience items.
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Support Services

The Concessioner will provide housing and recreation programs for its employees. The Concessioner’s charges to its employees for these services must be reasonable.

Estimated Future Revenue

Based on the previously detailed revenue estimates, Exhibit 13 presents projected future revenues, which incorporate anticipated future market conditions.

**Exhibit 13
Total Estimated Future Revenues**

Department	2009	2010	2010
Retail – Souvenirs American Indian	\$1,326,502	\$1,357,548	\$1,388,596
Handicrafts	\$1,437,043	\$1,470,678	\$1,504,312
TOTAL	\$2,763,545	\$2,828,226	\$2,892,908

Source: National Park Service

Based on industry trends and information available from each of the departments, the Service projects the following undistributed and fixed expenses in Exhibit 14.

**Exhibit 14
Undistributed and Fixed Expenses**

Total Operating Expenses	30% to 35% of total revenue
Repair and Maintenance Reserve (Real Property Replacement)	2%, as required by the Draft Contract
Facility Maintenance Obligation Expense	2%, as required by the Draft Contract

Source: National Park Service



In preparing expense estimates, Offerors must consider that the Service provides water services, wastewater treatment, and solid waste collection and disposal services to the Concessioner on a cost reimbursable basis. Information relating to current Service-provided utility rates appears as an Appendix to the Prospectus. The Concessioner must obtain other utilities from outside providers.

FINANCIAL AND OPERATING DATA

The Proposal Package requires Offerors to develop financial projections based on the business to be operated. In order to assist the Offerors in the development of these projections, the Service provides information regarding historical utilization and operating data as well as some baseline projections for the required services under the Draft Contract on the following pages. Please note that operating projections are only estimates based on Service assumptions developed taking into account available historical data, industry standards, and other comparable facilities information.

Some or all of the projections may not materialize and unanticipated events may occur that will affect these projections. The Offeror must be appropriately cautious in the use of all operating estimates. Although the Service does provide some financial projections, Offerors must produce their own prospective financial analyses and may not rely on the Service projections. The Service does not warrant and assumes no liability for the accuracy of the financial projections or estimates contained in this Prospectus.

Historical Contract Revenues

Exhibit 15 shows historical revenue by department for 1997 to 2006.

Exhibit 15
Revenue by Department, 1997-2006

Year	Gross Revenue	Souvenirs	American Indian Handicrafts
2006	\$2,413,535	\$1,135,482	\$1,278,053
2005	\$2,189,322	\$1,071,009	\$1,118,313
2004	\$2,125,536	\$1,060,631	\$1,064,905
2003	\$2,184,679	\$1,000,641	\$1,184,038
2002	\$2,193,126	\$1,007,205	\$1,185,921
2001	\$2,073,113	\$1,005,876	\$1,067,237
2000	\$2,312,812	\$1,158,760	\$1,154,052
1999	\$2,125,644	\$1,113,047	\$1,012,597
1998	\$1,979,826	\$968,015	\$1,011,811
1997	\$1,907,704	\$1,062,966	\$844,738

Source: National Park Service

Over the last five years, the Concessioner's gross receipts have been split fairly evenly between traditional souvenirs and American Indian handicrafts. Revenues from American Indian



handicrafts are exempt from the franchise fee required by the Draft Contract.¹¹ Information regarding franchise fees appears later in this document.

Exhibit 16 shows the past ten years of income for the Existing Concessioner, along with relative sales of American Indian handicrafts and souvenirs.

Exhibit 16
Existing Concessioner's Gross Revenue,
1997-2006

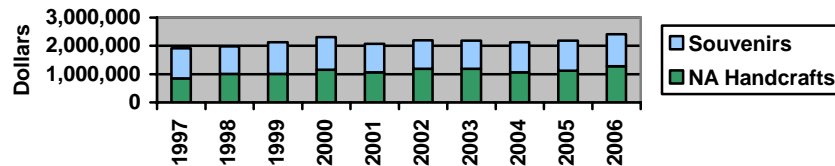
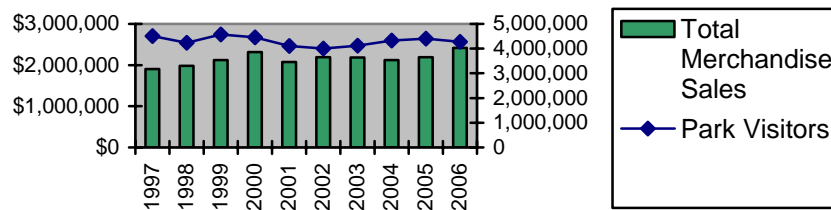


Exhibit 17 compares the Existing Concessioner's total gross revenue with changing South Rim visitation over ten years.

Exhibit 17
Grand Canyon National Park, South Rim Visitors
and
South Rim Gift Shop Gross Revenue, 1997-2006



Expenses

Staffing. The Existing Concessioner employs between 10 to 14 permanent staff, including management, and 2 to 6 seasonal staff. At its seasonal peak (approximately March through October), the Existing Concessioner has an average of 16 full time employees.

Utilities. As stated above, the Service provides wastewater treatment, water services, and solid waste services to the Concessioner on a reimbursable basis and bills for the services monthly. A five-year history of these rates is available in the Appendix.

Future rates for Service-provided utilities will be consistent with Service guidelines¹² and are subject to change. Electricity, phone, oil, and natural gas services are provided and billed directly through independent contractors.

11 National Park Service Concessions Management Improvement Act of 1998, Section 416.

12 Utility Rates are currently approved under Special Directive 35. See the Appendix.

REAL PROPERTY MAINTENANCE, REPAIR, AND REPLACEMENT

Facility Maintenance Obligation Expense

Under the Draft Contract the Concessioner will be required to expend a minimum of two percent (2.0%) of annual gross receipts (as defined in the Draft Contract) on preventive, cyclic, and repair activities, normally reoccurring within a seven year timeframe as defined in Section 10(a) of the Draft Contract and Exhibit H, Maintenance Plan of the Draft Contract. This will translate to spending in excess of approximately \$27,000 annually which the Service deems necessary to avoid future deferred maintenance.

Exhibit 18 presents a summary of projected future facility maintenance expenses for 2009 to 2011 under the requirements by the Draft Contract.

Exhibit 18
Estimated Future Facility Maintenance Expenses

	2009	2010	2011
Total Revenue	\$2,763,545	\$2,828,226	\$2,892,908
Gross Receipts	\$1,326,501	\$1,357,549	\$1,388,596
Repair & Maintenance	\$26,530	\$27,151	\$27,772
Percentage	2%	2%	2%

Source: National Park Service

Repair and Maintenance Reserve

The Draft Contract requires the Concessioner to establish a Real Property Repair and Maintenance Reserve. Refer to Section 10(c) of the Draft Contract for guidance on the terms and conditions for the Repair and Maintenance Reserve. Under the Draft Contract, the Concessioner must set aside and expend a minimum of 2.0% of gross receipts (as defined in the Draft Contract) on real property component renewal and replacement normally occurring on a greater than seven year timeframe, as defined in Section 10(c) of the Draft Contract and Exhibit H, Maintenance Plan of the Draft Contract.

INVESTMENT ANALYSIS

The Existing Contract requires the Existing Concessioner to sell and transfer to the successor all other property of the Concessioner used or held for use in connection with such operations. A copy of the Existing Contract, CC-GRCA005-88, as amended, is available as an Appendix to the Prospectus. Service estimates of these costs are stated below.

Offerors must not rely on Service estimates in preparing and submitting proposals in response to this Prospectus and must make their own estimates of the compensation that must be paid to the Existing Concessioner under the terms of the Existing Contract. A list of possible property that may be required for purchase by the successful Offeror in accordance with the terms of the



Existing Contract is in an Appendix to the Prospectus. The list is not necessarily complete. Offerors must make their own determinations as to the scope of property that must be purchased from the Existing Concessioner.

Required Investment

The Service estimates the initial investment required of the Concessioner in Exhibit 19.

Exhibit 19 Estimated Required Initial Investment

Possessory Interest *	\$2,582,668
Personal Property	\$190,000
Inventory	\$600,000
Total	\$3,372,668

Source: National Park Service

* The possessory interest value has been established per Amendment 3 to the Existing Contract.

General Description of Possessory Interest

The Existing Concessioner's possessory interest in improvements at Grand Canyon National Park is described in the Existing Contract, CC-GRCA005-88, as amended. In summary, a possessory interest is a compensable interest in real property improvements as defined by the Existing Contract.

Value of Possessory Interest

The Service and the Existing Concessioner have agreed that the value of the Existing Concessioner's possessory interest is \$2,582,668 as of the date that the possessory interest may be transferred to the successor Concessioner. Offerors are referred to Amendment 3 to the Existing Contract (contained in the Appendix to the Prospectus), and Exhibit G to the Draft Contract. The Concessioner must compensate the Existing Concessioner this sum of money for its possessory interest.

Other Property

Section 12 of the Existing Contract also requires the Existing Concessioner to sell Other Property used in the operation to the successor Concessioner.

The estimated fair value of this Other Property to be sold and transferred by the Existing Concessioner to a successor is \$190,000. This total includes the furniture, equipment, vehicles, artwork, and a number of antique and Native American artifacts held by the Existing Concessioner for use in the operation. This total is only an estimate, and the determined value could differ from this estimate. A listing of these items appears as an Appendix to the Prospectus. This list is not necessarily complete.



Offerors should note that one of the items to be transferred is the painting “Evening – Grand Canyon of Arizona” by Louis Akin, a notable painting hanging in the gift shop store. The value of this painting is uncertain.

The Existing Contract also requires the Concessioner to purchase the inventory from the Existing Concessioner. The value of this inventory is projected as \$600,000 based on historical inventory levels.

Offerors must not rely on Service estimates in preparing and submitting proposals in response to this Prospectus. Offerors must make their own determinations as to the scope of Other Property that is to be purchased from the Existing Concessioner and the estimates of compensation for that property.

Dispute Resolution

If the Existing Concessioner and the successor Concessioner cannot agree upon the value of any item or items of Other Property, the resolution will occur by the process described in Section 12 of the Existing Contract.

FRANCHISE FEE

The minimum franchise fee under the Draft Contract is six percent (6.0%) of annual gross receipts.

TERM AND EFFECTIVE DATE OF DRAFT CONTRACT

The Draft Contract is for a term of ten years beginning on its effective date, estimated as January 1, 2009. The effective date of the Draft Contract is subject to change prior to contract award if determined necessary by the Service. The expiration date of the Draft Contract will be changed to continue the same term length from any adjustment to the effective date.

SITE VISIT

A one-day site visit will occur on the date listed on the inside cover of this Prospectus. At that time, an overview of the Area will be provided by Service concession management personnel, along with a tour of existing Concession Facilities associated with this Draft Contract. Please contact Laura Shearin, Grand Canyon National Park, at (928) 226-0169 or laura_shearin@nps.gov for logistical information regarding this site visit.

