

38TH ANNUAL AIRPORT LAW WORKSHOP



 KAPLAN KIRSCH ROCKWELL
projects that keep life moving®



Managing Competition
Among Aeronautical and
Non-Aeronautical Tenants

Eric T. Smith
Kaplan Kirsch & Rockwell

Misti Ernsberger
Port of Seattle

Steven L. Osit
Kaplan Kirsch & Rockwell

Presentation overview



Aeronautical competition



AIRLINES



FBOs

Federal
regulation

Non-aeronautical competition



CONCESSIONAIRES



RENTAL CARS / TNCs

(Mostly)
state/local
regulation



Aeronautical competition



Applicable Grant Assurances



Grant Assurance 5- Preserving Rights and Powers

Grant Assurance 22- Economic Nondiscrimination

Grant Assurance 23- Exclusive Rights

Grant Assurance 24- Fee and Rental Structure

Grant Assurance 25- Airport Revenues

Grant Assurance 37- Disadvantaged Business Enterprises

Grant Assurance 39- Competitive Access

**Here we
go again.**



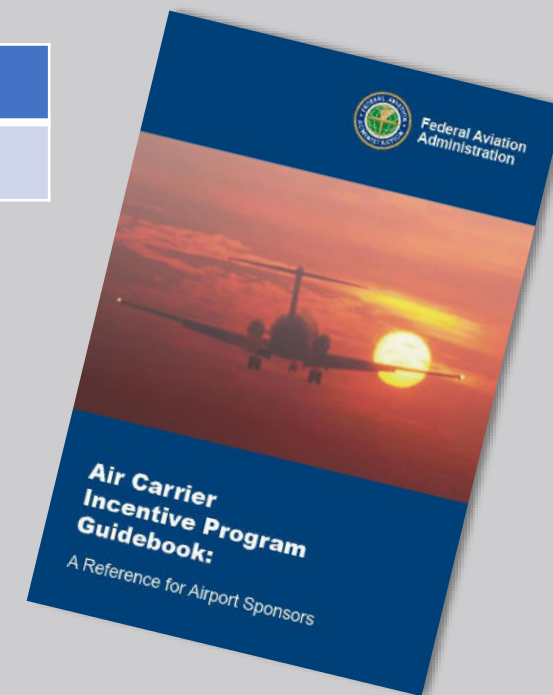
Air carrier incentive programs



- “New service” is not similarly situated to “existing” service for:

New Entrants	New Routes
One Year	Two Years

- Incentives v. subsidies
- Marketing support
- Recommended: incentive program agreement



Airline rates and charges



Competitive cost structure

Availability of gates & per turn fees

Allocation of common use charges

Signatory status and MII approvals



Gotta sweat
the details!






FBO competition: trends



- Increased consolidation among FBOs large and small
- FAA, Q&As – *FBO Industry Consolidation and Pricing Practices* (Dec. 7, 2017)
- Limited engagement with sponsors on acquisition/divestiture

The Big Three FBO Owners

Despite being extremely acquisitive in the past 25 years, the three largest FBO companies own only 10% of the total number of operations at U.S. airports. Outside these three large players, the industry is extremely fragmented, creating ample opportunity for consolidation.

	~35 Locations (1996)	→	~200 Locations (2020)
	~10 Locations (2004)	→	~70 Locations (2020)
	~20 Locations (1996)	→	~30 Locations (2020)

Source: William Blair Research

Protecting against exclusive rights



- Assignment provisions in FBO leases
- Rights of first refusal and options
- Excessive Minimum Standards



Ensuring diversity of services



- Minimum standards
- Different classes of FBO
- Grant Assurance 22(b)
- Unbundling of FBO services



Non-aeronautical competition



LOCAL FLAVOR



Airport concessions programs



- If you have seen one airport....
- Key considerations:
 - Risk mitigation
 - Passenger choice
 - Local business involvement (and challenges)
 - Federal requirements/limitations
- Few core topics...



Airport concessions: A variety of models



- Direct leasing model
- Prime concessionaire model
- Developer (and fee manager) model
- Multiple primes model

KEEP IT
SIMPLE



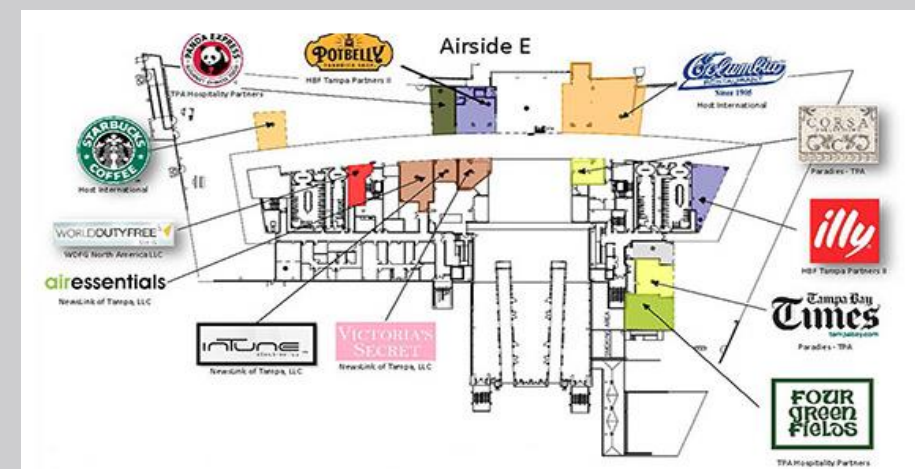
Airport concessions: selected issues



- Picking what works for YOUR airport
- Local flavor vs. local preference
- Street pricing
- Long-term exclusives

Nashville airport is becoming a little more 'Nashville' with local food offerings | Opinion

Douglas Kreulen Guest Columnist



NEWS
New airport 'street pricing' models taking a bite out of high food costs

Tampa awards 65 shops in \$1.3bn retail overhaul
By DOUG NEWHOUSE | Saturday, 6 June 2015 9:16

Hillsborough County Aviation Authority Board (HCAAB) has approved and awarded 11 concessions comprising 65 new shops, restaurants, kiosks and bars at Tampa International Airport in Florida.



Managing rental car competition



Too many cars, too little space



*No Room
at the Inn*

Rental car consolidation issues



Managing the Process- Bid by Brand or Parent?

ENTERPRISE HOLDINGS



AVIS BUDGET GROUP



THE HERTZ CORP.



Managing RAC space and reallocation



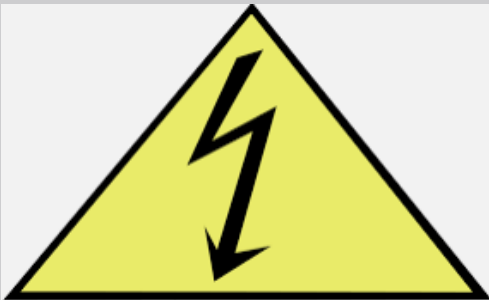
- Dependent upon facility
- Establishing blocks
- QTA allocation
- Shared space
- Dedicated small operator space
- Reallocation



RAC electric vehicle charging stations



Electric Vehicle (EV) Charging Stations



- What is the service and space capacity?
- Who pays for the units/additional service?
- How does sponsor allocate?



RFP considerations



- Are minimum requirements too difficult for a variety of proposers to meet?
- What about the scope?
- How is scoring weighted?
- Outreach and educate.





Questions?

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