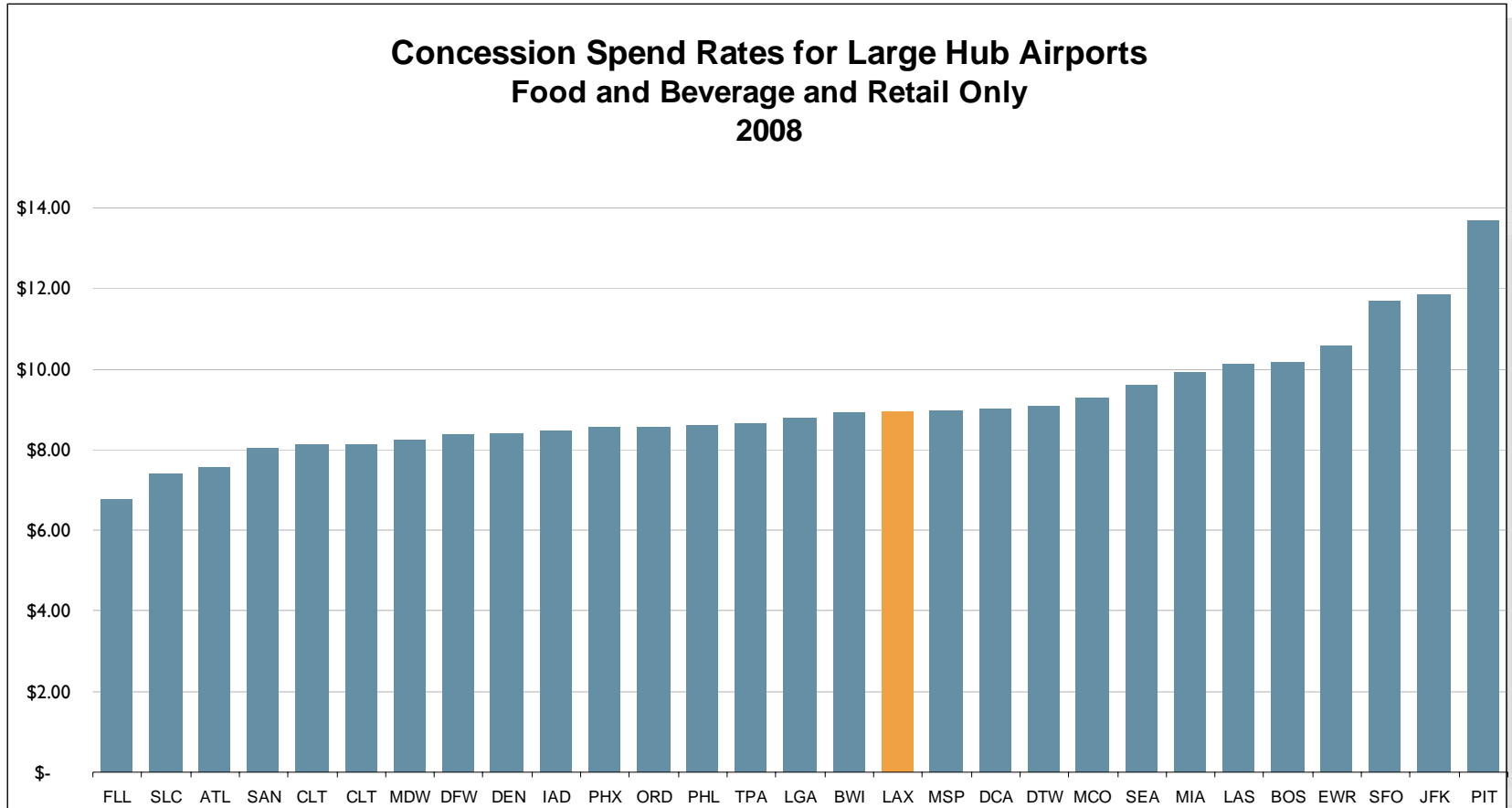


**Update on Concessions Implementation**  
Terminals 1, 2, 3, and 6  
Plus The Encounter Restaurant

Board of Airport Commissioners  
February 16, 2010

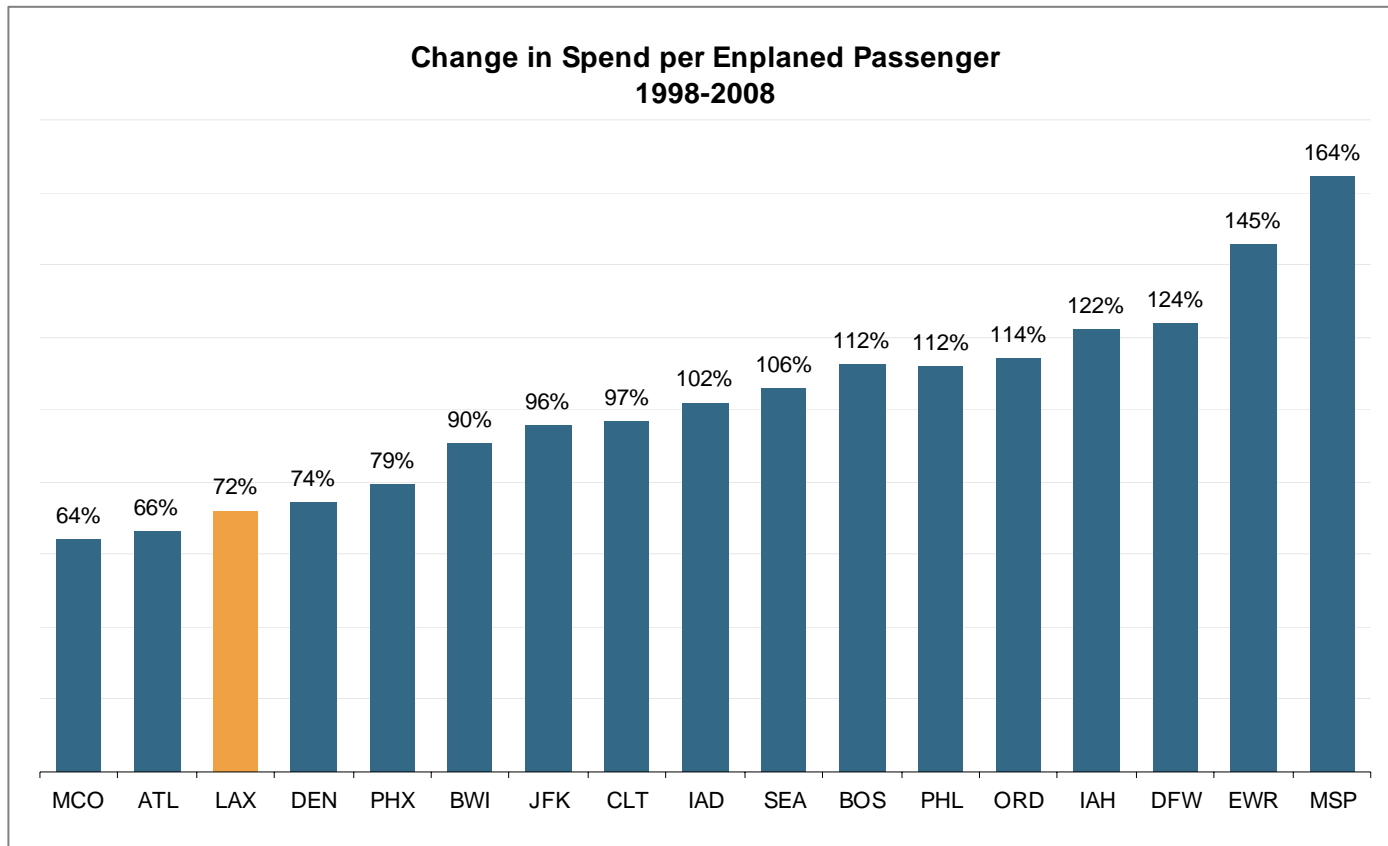
# A National Context – Airport Concession Performance

- **LAX** concession performance is average
- **Given its demographics, long-haul flights, and international passenger mix, LAX should be among the top performers.**



# Historical Context - Change since 1998

- **LAX lags other large airports in growth in spend rate over the last decade**
- **Without a modified course of action LAX will likely continue to fall behind**



# Today's Update

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- **Follow-up on plan outlined on December 21 – A Different Model**
- **In Terminals 1, 2, 3, and 6 a “Terminal Commercial Manager” (TCM) model is preferred**
  - **Creates more commercial space and flexible holdroom/concession areas**
  - **Changes the passenger experience through capital improvements**
  - **Enables and controls complex phasing**
  - **Establishes a performance responsive model**
  - **Builds customer satisfaction driving higher sales/enplaned passenger**
  - **Generates more opportunities**
    - Prime Concessionaire model used for Terminals 4, 5, 7, and 8 produced interesting local concepts, but these generally will be self-operated as licensed businesses under a master operator
    - Evidence from other airports is that TCM-type models outperform traditional models in regard to ACDBE participation
- **Purpose: Identify key business issues**

## Capital Improvements - A Program Focus

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- **Proposers will be required to commit significant capital to improve terminals**
  - Investment program will be subject to negotiations
- **Evaluation process will award creative solutions to expand concessions space**
  - Currently the amount of concession area in these terminals falls short of targets by over 50%
- **TCM will improve beyond concession premises**
  - Direct recovery of a portion of investment will be allowed under the proposed rent model

# Term of Concession Agreement

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- **Expected investment amount requires a longer term**
- **10 years + 5 year option under consideration**
- **Option should award performance**
  - Sales/enplaned passenger targets
  - ACDBE goal

## Rent and Financial Structure

- **Minimum Annual Guarantee (MAG) – Established by LAWA**
  - To be no less than current LAWA rent flow
  - Possible reduction during construction
  - Index MAG to enplanements
- **Percentage Rent Rates – To be part of proposal**
  - A percentage for any self-operated stores, by sales category
  - A percentage of rent derived from sub-concessionaires
  - Yields Gross Revenue to LAWA
- **Percentage Rent Basis – To be part of proposal**
  - Proposers to identify capital deduction allowance, likely to be only a portion of the investment
  - Allowance to be deducted prior to payment to LAWA
- **Bonus Rent Option – To be part of proposal**
  - Proposers to identify a dollar threshold of revenue to LAWA that would trigger additional rent
  - Would allow LAWA to participate greater in upside revenue after TCM has met its targets

# Evaluation Criteria Under Consideration

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- **Experience and Qualifications**
- **Management Plan**
- **Financial Return and Investment Commitment**
- **Improvements to Terminal and Concessions Areas**

# Concession Program Schedule

<b>Group A</b> Terminals 4, 5, 7, 8	<b>Group B</b> Terminals 1, 2, 3, 6	<b>Group C</b> TBIT/Bradley West	<b>LAX-Wide Duty Free</b>
<b>Prime Concessionaire</b>	<b>TCM</b>	<b>LAM</b>	<b>?</b>

RFP Issued	Done	April	April	<b>October 2010</b>
Proposal Due	Done	July/August	July/August	<b>January 2011</b>
Evaluate & Interview	February	August/September	August/September	<b>March/April 2011</b>
Award	April	October/November	October/November	<b>May/June 2011</b>
TCM/LAM Finalize Agreements with Subs	n.a.	March 2011	December 2011	<b>n.a.</b>
Construction Start	January 2011	June 2011	April 2012	<b>April 2012</b>
Construction Complete	December 2011	May 2012	October 2012	<b>October 2012</b>