



Los Angeles
World Airports

February 11, 2021

Mr. Shaun A. Bouy
ACDBE/DBE Compliance Specialist – Western Pacific Region
Office of Civil Rights
Federal Aviation Administration
U.S. Department of Transportation
777 S. Aviation Blvd., Suite 150
El Segundo, CA 90245

LAX

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Justin Erbacci
Chief Executive Officer

**Re: Los Angeles World Airports, Car Rental Concessions
Triennial ACDBE Goal for FFYs 2021-2023
(October 1, 2020 through September 30, 2023)**

Dear Mr. Bouy:

As a federal grant recipient, Los Angeles World Airports (LAWA) is required by title 49 Code of Federal Regulations, Part 23, Subpart 23.45 to submit an overall ACDBE goal for Car Rental concession opportunities at the Los Angeles International Airport (LAX). As such, LAWA submits an overall **ACDBE goal of 1.81%** for the Car Rental Concessions at LAX for Federal Fiscal Years (FFY) 2021-2023. The methodology for calculating this ACDBE goal was based on the ACDBE Directory and Census Bureau Data, as outlined in Title 49 CFR, Subpart 23.51, and the Alternative Method using goods and services purchases (Subpart 23.51 (c)(5)(i)-(ii)).

For LAWA, 2020 has been an unprecedented year, with COVID-19 causing significant impacts and a reduction in airport passenger volume beginning in mid-March 2020 and continuing to date. Most concessionaires at LAX predictably are struggling and all have been provided financial relief. Given the increased costs due to COVID-19 and reduced revenues across the board from all sources, maintaining LAWA budgeting and finances has been challenging.

COVID-19 has directly affected the car rental industry with The Hertz Corporation (Hertz) and Advantage Rent-A-Car filing for Chapter 11 bankruptcy in May 2020. Dollar and Thrifty car rental companies also are affected as they are owned by Hertz. Other car rental companies are struggling at various levels and waiting for the pandemic to recede and travelers to return to the airports. It is in this environment that the consolidated car rental facility (ConRAC) is scheduled for opening in 2023, and it is unknown what the long-term effects of COVID-19 will be on its success. Construction for this facility is ongoing and no delays are anticipated to date. Seven (7) car rental companies (representing 14 car rental brands) were awarded contracts to the start of ConRAC operations in 2023. Given this situation, it is uncertain what the effects of the two above bankruptcies, let alone COVID-19, will have on overall ACDBE data for the next three years, although LAWA has attempted to quantify the pandemic's effects.



LAWA determined the sourcing market area for the majority of car rental companies with concession business at LAX is national, and local purchases of goods and services are generally made in five (5) nearby counties that include Los Angeles, San Diego, Orange, Ventura, and San Bernardino counties.

Goal Calculation Methodology

Step #1: Determine Relative Availability of ACDBE Firms

LAWA used the most available Census Bureau County Business Patterns (CBP) database for five (5) nearby counties to determine all available firms with car rental-relevant NAICS codes and determined the ACDBE certification of firms using the California Unified Certification Program (CUCP) database. Totaling the number of ACDBE firms (601) and dividing by the total number of firms in the respective NAICS codes (37,125), resulted in a **Base Figure ACDBE Availability of 1.62%**.

Step #2: Calculate the Adjusted Base Figure

Using the Base Figure of 1.62% and the FFY 2019 ACDBE achievement of 2.0% (based on car rental expenditure), LAWA averaged these two numbers resulting in an **Adjusted Base Figure of 1.81%**.

Step #3: Calculate Projected Car Rental Expenditure

LAWA used the FFY 2019 Car Rental Total Expenditure as the basis for calculating projected values:

Projected Car Rental Expenditure Basis	\$545,562,429
Projected ACDBE Car Rental Basis (1.81%)	\$ 9,874,680

LAWA initially presented the ACDBE Car Rental goal based on **revenues** at the December 2, 2020 Virtual ACDBE Stakeholders Meeting, but after some consideration, decided to use **expenditures** as the basis due to practical considerations in LAWA realistically reaching the goal and the potential effects from COVID-19 on the car rental industry. Additionally, revenue can be viewed as a trailing index with delayed responses to slowdowns, such as with COVID-19, while expenditures tend more quickly to reflect the current economic situation. LAWA felt the use of expenditures would be more accurate given this pandemic than using revenue for purposes of developing an ACDBE car rental goal.

Step #4: Consider Negative Impact of COVID-19 on Enplanement/Economic Activity

In light of the uncertainty of the economic impact of COVID-19, LAWA averaged the LAX annual enplanement change from 2018 to 2020 as **-24.48%**.¹

FFY	Enplanement	% Change
2018	87,198,907	
2019	88,068,965	1%
2020	44,081,371	-49.95%

¹ Averaging FFY2017-2018 Enplanement change would potentially have skewed the data

The calculated average annual enplanement change of **-24.48%** represents the COVID-19 Impact on the Projected Annual Car Rental Expenditure, which is reduced to \$412,008,746:

FY 2019 Car Rental Expenditure	\$545,562,429
COVID-19 Impact (-24.48%)	-\$133,553,683
COVID-19-Adjusted Projected Annual Car Rental Expenditure	\$412,008,746

Similarly, COVID-19 reduces the Projected ACDBE Car Rental Expenditure to \$7,457,358:

Projected (using Adjusted Base Figure of 1.81%) ACDBE Car Rental Expenditure	\$9,874,680
COVID-19 Impact (-24.48%)	\$2,417,322
COVID-19-Adjusted Projection of Annual ACDBE Car Rental Expenditure	\$7,457,358

Step #5: Calculate ACDBE Car Rental Program Goal:

The ACDBE Program Goal was calculated by dividing the Adjusted Projected Annual ACDBE Car Rental Basis by the Adjusted Projected Annual Car Rental Expenditure:

$$\$7,457,358 \text{ divided by } \$412,008,746 = \mathbf{1.81\%}$$

LAWA's Triennial FFY 2021-2023 ACDBE Car Rental Goal is 1.81%

Disparity Study

The City of Los Angeles has not conducted a disparity study, although LAWA currently is procuring a specialized disparity study with an initial award in 2021. Recent Disparity Studies in other regions such as DFW Airport (2019) and Washington State Airports (2019) were reviewed for relevance. LAWA used data from internal concessions reports.

Consultation with Stakeholders

LAWA prepared a Public Notice of the proposed goals on November 19, 2020, informing the public that comments would be accepted electronically for 30 days following the date of the notice. Publication of this notice was available through LAWA's website at <https://www.lawa.org/lawa-businesses/how-to-do-business-with-lawa/lawa-acdbe-goal-federal-fiscal-year-2021-2023>. A stakeholder's meeting was also held online on December 2, 2020, with fifteen reservations and eleven non-LAWA attendees. No comments were received.

Loss of ACDBE Firms


Ford of Santa Monica (Ford) was de-certified in April of 2020 due to the sale of the company, and the Leslie Saunders Insurance Agency (Leslie) may be closing, if not already closed. These two ACDBE-certified firms represent a sizeable portion of LAWA's ACDBE commitment and their potential loss would most certainly reduce future LAWA ACDBE spend. In response, LAWA will commit to a focused ACDBE outreach program beginning in spring 2021, and coupled with an online ACDBE Certification program scheduled to be live in early to mid-2021, the shortfall associated with the loss of Ford and Leslie will be addressed.

COVID-19 Uncertainty

Given that the next three FFYs (2021-2023) are unpredictable, LAWA will notify the FAA if conditions arise that require an update to this goal.

If you have any questions, you may contact Delia Sorronda or Joon Lee at dgoodine@lawa.org or jlee@lawa.org, respectively.

Sincerely,



Justin Erbacci
Chief Executive Officer
Los Angeles World Airports

CC: Procurement Services Division
Business, Jobs and Social Responsibility Division
Commercial Development Division

JE:SB:BH:JL:DG