



Report to the Business Administration Committee

Pre-Solicitation Terms for Rental Car Concession Contracts at Washington Dulles International Airport

September 2018



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Purpose

Staff requests that the Business Administration Committee concur with 1) solicitation terms for the issuance of an Invitation For Bids (IFB) to award four concession contracts to provide on-Airport rental car operations at Washington Dulles International Airport (Dulles International), and, 2) the establishment of a \$3.00 Customer Facility Charge (CFC) to fund current and future rental car facility improvements.



Background

- Currently the Airports Authority has on-Airport rental car concession contracts at Dulles International with Advantage, Avis, Budget, Dollar-Thrifty, Enterprise, Hertz, and Vanguard [operating as Alamo and National].
- The contracts commenced on July 1, 2013 and are currently extended month-to-month pending completion of the new procurement.
- The rental car companies paid \$22.2 million (\$18.4 million in concession fees; \$3.2 million in facility rent; and \$634K for other land rent) during the final contract year.
- Currently one company, Silver Car, operates a rental car operation from off-Airport facilities under a permit arrangement with the Airports Authority.



Discussion

- The rental car industry has consolidated since the last contract awards, enabling rental car companies to co-locate their brand families and thereby requiring fewer contracts.
- Rental car financial performance has shown little growth over the past three years, due in part to competition from other ground transportation providers.
- Due to the industry consolidation and increased competition, staff is recommending that the IFB offer four contracts, each with a five-year base term.



Discussion, Cont'd

- The current seven sites will be consolidated into four sites of varying sizes to provide a more competitive environment for large and small firms.
- Consolidating rental car operations into four contracts and co-locating brand families enables the rental car companies to operate more efficiently, reducing busing costs and curbside congestion.
- Bidders with multiple brands will be required to consolidate and submit only one bid per corporate family.



Recommended Solicitation Terms

- Financial bids will be based on Rent Per Square Foot for each contract year, with a minimum bid set at \$4.50 per square foot per year.
- Bidders will be required to pay monthly Facility Rent, based on their financial bid of Rent Per Square Foot and the square footage of the awarded facility.
- In addition to Facility Rent, the successful bidders will pay concession fees equal to 10 percent of gross receipts.
- A Customer Facility Charge of \$3.00 will be implemented under the new contracts.



Recommended Solicitation Terms, Cont'd

- The contracts awarded will have an Airport Concession Disadvantaged Business Enterprise (ACDBE) participation goal of 10 percent.
- The contracts will require successful bidders to include vehicles in their on-Airport fleet that meet the Environmental Protection Agency's Green Vehicle standards and to promote the availability of those vehicles to their customers.
- The contracts awarded will require Committee and Board approval.



Evaluation

- The financial offer is the only selection criteria; therefore, contract award will be made to the four bids with the highest total Rent Per Square Foot.
- The company bidding the highest Rent Per Square Foot will have the first choice of parcels; remaining bidders will be assigned their choices of parcel based upon the ranking of their bids, from highest to lowest.



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Recommendation

Staff requests that the Business Administration Committee concur with solicitation terms for the issuance of an IFB to award four concession contracts to provide rental car operations at Washington Dulles International Airport, and the establishment of a Customer Facility Charge to fund current and future rental car facilities.



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REPORT TO THE BUSINESS ADMINISTRATION COMMITTEE

PRE-SOLICITATION TERMS FOR THE RENTAL CAR CONCESSION CONTRACTS

AT

WASHINGTON DULLES INTERNATIONAL AIRPORT

SEPTEMBER 2018

PURPOSE

Staff requests that the Business Administration Committee concur with 1) solicitation terms for the issuance of an Invitation For Bids (IFB) to award four concession contracts to provide on-Airport rental car operations at Washington Dulles International Airport (Dulles International), and, 2) the establishment of a \$3.00 Customer Facility Charge (CFC) to fund current and future rental car facility improvements.

BACKGROUND

Currently the Airports Authority has on-Airport rental car concession contracts at Dulles International with Advantage, Avis, Budget, Dollar-Thrifty, Enterprise, Hertz, and Vanguard [operating as Alamo and National].

These companies were awarded five-year contracts in response to an IFB issued in 2013. The contracts commenced on July 1, 2013 and expired on June 30, 2018. A month-to-month extension was executed for all seven contracts to provide additional time for the Airports Authority to complete issuance of the upcoming IFB.

Under these contracts the rental car companies pay the Airports Authority a concession fee equal to the greater of a Minimum Annual Guarantee (MAG) bid, or 10 percent of their annual gross receipts. The rental car companies also pay Facility Rent and other land rent for vehicle overflow parking space.

During the contract year ending June 30, 2018, the Airports Authority collected an estimated \$22.2 million from the rental car concessions (\$18.4 million in Concession Fees; \$3.2 million in Facility Rent; and \$0.6 million in overflow land rent).

Silver Car also operates a rental car operation from off-Airport facilities under a permit arrangement with the Airports Authority.

DISCUSSION

The rental car industry has consolidated since the last contract awards, leaving a smaller number of brand families. Rental car financial performance has shown little growth over the past three years, due in part to competition from other ground transportation providers. Since 2015, the growth of Uber and Lyft has provided customers with more choices, increasing market competition for ground transportation services and leading to flattened activity in the rental car market at Dulles International.

Due to the industry consolidation and increased competition, staff recommends that the IFB offer four contract awards, each with a five-year base term. Operating multiple brands from consolidated sites provides efficiencies in operating costs that can be leveraged to achieve more competitive bids and revenue for the Airports Authority.

The bidders will be required to submit a financial bid in the form of a Rent per Square Foot for each contract year, with the minimum established at \$4.50 per square foot per year. The financial offer is the only selection criteria; therefore, contract award will be made to the four bids with the highest total Rent per Square Foot. The company bidding the highest Rent per Square Foot will have the first choice of parcels; remaining bidders will be assigned their choices of parcel based upon the ranking of their bids, from highest to lowest.

In addition to Facility Rent, the successful bidders will be required to pay Concession Fees equal to 10 percent of their Gross Receipts.

The contracts awarded under the upcoming IFB will require the companies to collect a Customer Facility Charge of \$3.00 per rental day to provide for improvements to reconfigure the existing rental car sites, and to establish a funding source for expenses related to current and future rental car facilities.

The contracts awarded will require the successful bidders to include vehicles that meet the Environmental Protection Agency's definition of Green Vehicle in their on-Airport fleet and promote the availability of these vehicles to their customers.

An Airport Concession Disadvantaged Business Enterprise (ACDBE) participation goal of 10 percent will be included in the contracts awarded under the upcoming IFB.

RECOMMENDATION

Staff requests that the Business Administration Committee concur with 1) solicitation terms for the issuance of an IFB to award four contracts to provide on-Airport rental car operations at Dulles International, and, 2) the establishment of a \$3.00 Customer Facility Charge (CFC) to rental car customers to fund current and future rental car facility improvements. The contracts awarded will require Committee and Board approval.

Prepared by:

Airport Administration Department
Washington Dulles International Airport
September 2018