



**REPORT TO THE
BUSINESS ADMINISTRATION COMMITTEE**

**RECOMMENDATION TO AWARD A CONTRACT
FOR A DUTY FREE/DUTY PAID CONCESSION OPERATOR
AT WASHINGTON DULLES INTERNATIONAL
AND
RONALD REAGAN WASHINGTON NATIONAL AIRPORTS**

JULY 2014

PURPOSE

Staff requests that the Business Administration Committee approve and recommend the Board of Directors approve the award of a concession contract to Dulles Duty Free LLC for the operation, management and development of the Duty Free/Duty Paid concession at Washington Dulles International and Ronald Reagan Washington National Airports (Airports) for the contract term of seven years.

BACKGROUND

- The current Duty Free contract with Dulles Duty Free LLC, led by Duty Free Americas, commenced on August 1, 2003 and will terminate on July 31, 2014.
- In 2013, the Minimum Annual Guarantee (MAG) was \$3.7 million. The contractor paid the greater of the MAG or 20 percent of annual gross sales.
- Total revenue paid to the Authority in 2013 was \$4.7 million.

BACKGROUND

- The Airports' Duty Free/Duty Paid stores will operate out of nine locations under one operator; seven stores will be located at Dulles International and two stores will be located at Reagan National.
- The stores in both Airports will sell bonded perfumes, cosmetics, cigarettes, spirits and luxury items to international passengers. In addition, these stores will sell taxable, non-bonded merchandise to domestic passengers.



SOLICITATION PROCESS

- In March 2014, the Committee concurred with the terms of the Duty Free/Duty Paid Concession Solicitation.
- The Authority issued an Invitation for Bids (IFB) on April 29, 2014.
- On May 28, 2014, six submittals were received.



STEP I EVALUATION

- The submittals were evaluated on a pass/fail basis by a Technical Evaluation Committee (TEC) consisting of Concessions, Equal Opportunity, Legal, Financial and Procurement Staff.
- On June 30, 2014, five Offerors were notified that they had passed the first step of the IFB process and they were invited to submit Bids.

STEP 2

- On July 9, 2014, five Bids were publicly opened.
- Dulles Duty Free LLC offered the highest Bid.
- The Bid was \$3.7009 expressed in dollars and cents per international enplanement, or approximately \$12.9 million for the first year's MAG. The MAG will be adjusted annually based on total international enplanements at the Airports.

CONTRACT

- The operating period of the contract will commence on August 1, 2014 and terminate on December 31, 2021.
- Annual revenue will be the greater of 22 percent of total sales for the operations of Duty Free/Duty Paid concessions at the Airports, or the MAG. The MAG in the first contract year will be approximately \$12.9 million.
- Concourse Concessions Inc. will be Duty Free Americas' partner in this contract. Dulles Duty Free LLC has met the goal of 25 percent Airport Concessions Disadvantaged Business Enterprise (ACDBE).

RECOMMENDATION

Staff requests the Business Administration Committee approve and recommend to the Board of Directors that it approve the award of the concession contract to Dulles Duty Free LLC for the operation of the Duty Free/Duty Paid concession at the Airports for a contract term of seven years.



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport

Proposed Resolution

Selecting a Firm to Operate
Duty Free/Duty Paid Concession
At
Both Airports

WHEREAS, In March 2014, the Business Administration Committee concurred in the pre-solicitation terms for the Duty Free/Duty Paid concession operator solicitation;

WHEREAS, A two-step Invitation for Bids procurement was initiated on April 29, 2014;

WHEREAS, In response to step one, which focused on offeror qualifications, six submittals were received on May 28, 2014;

WHEREAS, The submittals were evaluated on a pass/fail basis by a Technical Evaluation Committee, which resulted in five offerors advancing to the second step and submitting bids;

WHEREAS, On July 9, 2014, the bids were opened, and the highest bid was submitted by Dulles Duty Free LLC;

WHEREAS, The proposed Duty Free/Duty Paid contract runs for a seven year and four month term, starting on August 1, 2014 and ending on December 31, 2021, and includes a 25 percent Airport Concessions Disadvantaged Business Enterprise goal; and

WHEREAS, The Business Administration Committee has approved the results of the competitive process and has recommended that the Board of Directors approve the award of the contract to Dulles Duty Free LLC; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into a contract with Duty Free LLC for the operation of the Duty Free/Duty Paid concession at both Airports, consistent with the terms presented to the Business Administration Committee at its July 16, 2014 meeting.

*For Consideration by the Business Administration Committee and
Board of Directors on July 16 2014*