



**Report to the
Business Administration Committee**

**Pre-Solicitation Terms
For
Rental Car Contracts at Ronald Reagan
Washington National Airport**

May 2016



PURPOSE

Staff requests that the Business Administration Committee concur with the solicitation terms for the issuance of an Invitation for Bids (IFB) for the rental car concession contracts at Ronald Reagan Washington National Airport (Reagan National).

BACKGROUND

Reagan National currently has five on-airport rental car concession contracts which expire on May 31, 2016 and will be extended on a short term month-to-month basis pending completion of the new procurement.

These operators pay the Airports Authority concession fees to use space in Garage A for their operations.

In 2011, the five companies were required to pay the greater of 10% of gross sales or the Minimum Annual Guarantees (MAG) they bid for the five-year contract term.

Total concession fees paid during the five-year contract term are estimated to be \$62 million.

In addition to the MAG, a daily Contract Facility Charge (CFC) of \$2.50 per contract is required for all on-airport rental car transactions to pay for specific rental car facility repairs including debt service and busing expenses.

BACKGROUND (Cont.)

Two other rental car companies, Dollar-Thrifty and Advantage, service Reagan National from off airport locations under separate permits and pay 8% of gross receipts. Total percentage of gross receipts under the off-airport permits are estimated to be \$5 million.

Consolidation in the rental car industry has resulted in the following major rental car corporations since the last Invitation for Bid:

- **Avis Budget Group Inc.** (Avis, Budget, Payless, Zipcar)
- **Enterprise Holdings Inc.** (Alamo, Enterprise, National, Enterprise Car Share)
- **Hertz Global Holdings Inc.** (Hertz, Dollar/Thrifty, Hertz 24/7)
- **Advantage**

RECOMMENDED SOLICITATION TERMS

Three on-airport contract awards for a term of three base years and two one-year options will be made to the highest bids based on a MAG. Thresholds will be established for each of the five contract years.

Each company awarded a contract will be required to pay, on an annual basis, the greater of either 10% of its gross receipts or the MAG.

Multi-branding, including car-sharing products will be allowed.

RECOMMENDED SOLICITATION TERMS (Cont)

The space available to the rental car industry in Garage A will be increased to support the growth in business volume.

Each successful bidder will select its choice of location based on the total value of their bids.

The CFC fee will be increased to \$3.50 per daily transaction and the use of CFCs will be broadened to allow use of the revenues for other rental car program expenses including planning for development and the expansion of future rental car facilities. The fee can be increased during the contract term as needed.

The Airport Concession Disadvantaged Business Enterprise goal for the contracts is 10%.

RECOMMENDATION

Staff requests that the Business Administration Committee concur with the issuance of an IFB to include the solicitation terms described herein.

The three proposed on-airport contract awards will require Business Administration Committee and Board approval.



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