



**REPORT TO THE
BUSINESS ADMINISTRATION COMMITTEE**

**RECOMMENDATION TO AWARD
DISPLAY ADVERTISING CONCESSIONS CONTRACT
FOR**

**RONALD REAGAN WASHINGTON NATIONAL AIRPORT
AND**

WASHINGTON DULLES INTERNATIONAL AIRPORT

NOVEMBER 2015



Purpose

Staff requests the Business Administration Committee approve and recommend to the Board of Directors that the Airports Authority enter into a concessions contract with In-Ter-Space Services, Inc. d/b/a Clear Channel Airports (Clear Channel) of Allentown, PA, to operate the display advertising concessions at Ronald Reagan Washington National (Reagan National) and Washington Dulles International (Dulles International) Airports. The contract will have a base term of eight years with one, two-year option.

Background

- The Airports Authority's current contract was awarded in 2010 for a base term of five years with two, two-year option periods.
- The base term expired July 31, 2015, and the Airports Authority has exercised the first option period. The terms of the first option period allow the Airports Authority to terminate the contract with 90 days written notice.
- Under the current contract the Airports Authority is paid the greater of a percentage of gross receipts or a Minimum Annual Guarantee (MAG) of \$7.5 million (\$3.75 million per Airport).
- Revenue to the Airports Authority in 2014 was approximately \$9.3 million.

Background (continued)

- In July 2015, the Business Administration Committee concurred with the issuance of the Request for Proposals (RFP) for the Advertising Concessions at Reagan National and Dulles International using the best value method.
- Offerors were allowed to submit proposals for one or both Airports. Additionally, Offerors that submitted proposals for both Airports were allowed to submit a separate proposal to reflect proposed financial improvements to their offer should they be awarded both Airports.
- The RFP was issued in August 2015.



Discussion

- Two Offerors submitted proposals and each offered proposals for both Airports.
- Technical components of the proposals were evaluated using the following technical evaluation criteria:
 - Experience, Qualifications and Past Performance of the Firm
 - Experience and Qualifications of Personnel
 - Advertising Plan, Utilization of Space and Concepts
 - Management and Marketing Plan
- The financial offers, which consisted of the following, were evaluated independently of the technical offers:
 - Capital Investment Offer
 - Minimum Annual Guarantee Offer
 - Financial Strength and Ability to Perform

Discussion (continued)

- Clear Channel's proposal was determined to be the most advantageous to the Airports Authority.
- The MAG offered by Clear Channel totals \$151.5 million over the ten-year contract period. The MAG for year one is \$12.25 million; the MAG will escalate each year up to \$17 million for the eighth year and option period.
- The minimum capital investment offered by Clear Channel is \$13.3 million; \$10.7 million in the first two years to replace all advertising fixtures, and \$2.6 million for mid-term replacement of technical components and outdated fixtures.
- The contract will include an Airport Concessions Disadvantaged Business Enterprise (ACDBE) participation goal equivalent to 10% of total gross receipts.

Discussion (continued)

- Clear Channel is part of the global media firm iHeartMedia, Inc. In 2014, iHeartMedia generated revenues of \$6 billion and served more than 200,000 advertisers and sponsors worldwide.
- Clear Channel has 40 years of airport advertising experience and has developed or redeveloped 570 airport programs during that time.
- Currently, Clear Channel serves 270 airport partners across 22 countries including 4 of the top 5 and 11 of the top 20 airports in the United States.
- Current Clear Channel airport partners include: Chicago's O'Hare and Midway, Dallas-Fort Worth, Denver, Miami, San Francisco, Seattle, Rome, Toronto and Zurich to name a few.

Recommendation

Staff requests the Business Administration Committee approve and recommend to the Board of Directors that the Airports Authority enter into a concession contract with In-Ter-Space Services, Inc., d/b/a Clear Channel Airports (Clear Channel) of Allentown, PA, to operate the display advertising concessions at Washington Dulles International (Dulles International) and Ronald Reagan Washington National (Reagan National) Airports. The contract will have a base term of eight years with one, two-year option.



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY

Proposed Resolution

Approving the Award of Display Advertising Concessions Contract for Ronald Reagan Washington National Airport and Washington Dulles International Airport

WHEREAS, In July 2015, staff presented a pre-solicitation paper to the Business Administration Committee in connection with the upcoming display advertising concessions solicitation at Ronald Reagan Washington National Airport (Reagan National) and Washington Dulles International Airport (Dulles International);

WHEREAS, In August 2015, a Request for Proposals (RFP) in this procurement was issued;

WHEREAS, On November 18, 2015, the Business Administration Committee received the results of the procurement; accepted the staff's recommendation that In-Ter-Space Services, Inc. d/b/a Clear Channel Airports (Clear Channel) of Allentown, PA be awarded a contract to operate the display advertising concessions contract at Reagan National and Dulles International, a recommendation which was based in part on a Minimum Annual Guarantee totaling \$151.5 million over the ten-year contract period (including option years) and a minimum capital investment of \$13.3 million; and in turn recommended that the Board of Directors approve the award of the contract to Clear Channel Airports; now, therefore, be it

RESOLVED, That the award of a contract to operate the display advertising concessions at Reagan National and Dulles International to Clear Channel Airports is approved; and

2. That the President and Chief Executive Officer is authorized and directed to enter into a contract with Clear Channel Airports to operate the display advertising concessions at Reagan National and Dulles International, having a base term of eight years with one two-year option, and otherwise consistent with the terms and conditions presented to the Business Administration Committee at its November 2015 meeting.

*For Consideration by the Business Administration Committee and
Board of Directors on November 18, 2015*