



**REPORT TO THE  
BUSINESS ADMINISTRATION COMMITTEE**

**PRE-SOLICITATION TERMS**

**FOR THE**

**DISPLAY ADVERTISING CONCESSION**

**AT**

**RONALD REAGAN WASHINGTON NATIONAL AIRPORT**

**AND**

**WASHINGTON DULLES INTERNATIONAL AIRPORT**

**JULY 2015**



## **PURPOSE**

Request the Business Administration Committee concur with the pre-solicitation terms and issuance of a full and open competitively negotiated solicitation, using the Best Value approach, for the Display Advertising Concession at Ronald Reagan Washington National (Reagan National) and Washington Dulles International (Dulles International) Airports. The proposed term of the Display Advertising Concession Contract is eight years with one, two-year option. The contract award will require Committee and Board approval.



# DISCUSSION

The Airports Authority's objective is to enter into concession contracts with one or two established and responsible business entities, demonstrating capability and expertise in the development, installation, management and operation of a world class Airport Advertising Program.

Opportunities available:		
Package A	Package B	Package C*
Reagan National	Dulles International	Both Airports
*Note – Package C is only available to Offerors that submit Proposals for Package A <u>and</u> Package B, who desire to improve their offer should they be awarded both Airports.		

The Airports Authority reserves the right to award two contracts, one for each Airport, or a single contract for both Airports as determined to be in the best interests of the Airports Authority.

## **DISCUSSION (continued)**

The desired program(s) will:

- Utilize premium advertising space in a manner that optimizes state-of-the-art concepts and maximizes revenue generation;
- Complement the architectural design features of the Airport(s) and create a “sense of place” reflective of the National Capital Region;
- Include sustainable, energy efficient, cutting edge interior display advertising, as well as, innovative exhibits, sponsorships and exterior concepts; and
- Incorporate the current pay telephone locations and meet the Americans with Disabilities Act requirements by providing and maintaining commercial courtesy phones.



## **DISCUSSION (continued)**

To ensure the capability of responding to the rapidly changing technology utilized for advertising, the Airports Authority will also reserve the right, but not the obligation, to include other forms of advertising (interactive wireless, airport magazines, digital network, website, apps, etc.), and other Airports Authority locations, in the successful Offeror's scope of work in the future, if deemed in the best interests of the Airports Authority.

## **BACKGROUND**

JCDecaux Airport, Inc. (JCDecaux) has been the Display Advertising contractor at both Airports since December 1, 2000. The current contract was awarded in 2010 for a base term of five years, with two, two-year Option Periods.

The base term expires 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 as early as December 31, 2015 with 90 days written notice.

The current contract provides a Minimum Annual Guarantee (MAG) of \$7.5 million (\$3.75 million per Airport).

The current contract includes a 20 percent Airport Concession Disadvantaged Business Enterprise (ACDBE) participation goal.

## BACKGROUND (continued)

JCDecaux pays the greater of the MAG or a percentage of gross receipts; 65 percent on basic display advertising and 50 percent on digital or creative advertising.

Concession percentage fees have exceeded the \$3.75 million MAG at both Airports for each year of the contract, however, advertising sales and Airports Authority revenue have declined each year since 2011, particularly at Dulles International, as depicted in the table below.

Year	Reagan National		Dulles International		Total	
	Gross Sales	MWAA Revenue	Gross Sales	MWAA Revenue	Gross Sales	MWAA Revenue
2010	\$9.07 M	\$5.84 M	\$9.01 M	\$5.82 M	\$18.08 M	\$11.65 M
2011	\$7.99 M	\$5.08 M	\$10.96 M	\$6.99 M	\$18.95 M	\$12.07 M
2012	\$7.91 M	\$4.79 M	\$9.77 M	\$5.88 M	\$17.68 M	\$10.67 M
2013	\$9.43 M	\$5.55 M	\$7.29 M	\$4.70 M	\$16.72 M	\$10.24 M
2014	\$9.12 M	\$5.38 M	\$6.72 M	\$3.91 M	\$15.84 M	\$9.30 M

# PROPOSED TERMS

The Airports Authority will require proposals for each Airport separately. Offerors may submit proposals for one or both Airports. Preference may, but not necessarily, be given to an Offeror that proposes for both Airports.

Eight-year base contract term, with one, two-year option period to be exercised at the Airports Authority's sole discretion.

Offerors will propose a MAG for each contract year, including the option period. The MAG for each year shall be no less than the MAG for the prior year. The Airports Authority will establish the minimum acceptable MAG for the first contract year.

Offerors will propose a minimum capital investment, to include the full costs of removing all existing advertising fixtures, replacing them with new fixtures and restoring any areas not utilized.



## **PROPOSED TERMS (continued)**

The successful Offeror will pay the Airports Authority the greater of the MAG or a percentage of gross receipts. The percentage will be established by the Airports Authority between 60 and 70 percent.

The percentage fee will be structured to incentivize higher advertising sales by sharing more of the gross receipts with the contractor when gross receipt thresholds determined by the Airports Authority are exceeded.

Offerors will be required to propose their strategy for marketing the Airports and a local management structure that ensures focused effort on local advertising and overall success of the Airport Program(s).

The solicitation will include an ACDBE participation goal of 20 percent.



## **EVALUATION CRITERIA**

The criteria to be used to evaluate and select a successful Offeror for this contract will be:

- Experience, Qualifications, Past Performance of Firm
- Experience and Qualifications of Personnel
- Advertising Plan, Utilization of Space and Concepts
- Management and Marketing Plan
- Capital Investment Offer
- Minimum Annual Guarantee Offer
- Financial Strength and Ability to Perform



# ANTICIPATED SCHEDULE

- **July**
  - Business Administration Committee concurrence; issue RFP
- **August**
  - Pre-Proposal Conference and Airport Tours
- **September**
  - Proposals received and evaluated
- **October - November**
  - Recommendation to Business Administration Committee and Board of Directors for award of contract(s)
- **November – January 2016**
  - Contract(s) awarded and transition planning
- **February – March 2016**
  - New Contract(s) implemented

# RECOMMENDATION

Business Administration Committee concur with the pre-solicitation terms and issuance of a full and open competitively-negotiated solicitation, using the Best Value approach, for the Display Advertising Concession at Ronald Reagan Washington National and Washington Dulles International Airports. The proposed term of the Display Advertising Concession Contract is eight years with one, two-year option. The contract award will require Committee and Board approval.



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON  
AIRPORTS AUTHORITY