



AIRMALL® USA Takes Issue With UNITE HERE! Report

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AIRMALL USA is rebutting a report by UNITE HERE!, which attacks the developer model. AIRMALL manages and develops the retail, food and beverage concessions at Pittsburgh International Airport (PIT), Boston Logan International Airport (BOS) in Terminals B and E, Baltimore/Washington International Thurgood Marshall Airport (BWI), and Cleveland Hopkins International Airport (CLE) and takes issue with the report.

Entitled, "AIRMALLed: Failures of the Airport Concessions Developer Model," it is the second such report from the group. The first claims that under AIRMALL USA's concessions management, overall percentage rent and rent per enplaned passenger are lower than at peer airports; in the latest report, it says "sales performance is not high enough to offset these lower rent figures."

Mark Knight, president of AIRMALL USA emphasizes that the report ignores several critical benefits of the developer model.

"Discussion and dialogue on important issues can be valuable, but only when the whole story is being presented," he says. "Simply stated, UNITE HERE! is only interested in presenting a skewed view of our model for airport concessions so that they can serve their own agenda. At AIRMALL USA, we find this to be disingenuous and misleading. We owe it to our business partners, the industry in general, and the traveling passenger to set the record straight and present the entire story, and we will continue to do so."

The report alleges that AIRMALL USA tries to explain its rent performance by pointing out increases in sales at its airports. "Between 2003 to 2009, the overall sales per enplaned passenger (SPEP) increased at AIRMALL airports by approximately 42%, the same rate as at peer airports without a private concessions developer on the 2010 ARN Top 50 Performing North American Airports list," the UNITE HERE! report says.

"In the previous report in this series, we mention that peer airports collect rents at a rate of 15% of total concessions sales generated, while the overall rents paid to airports by

AIRMALL in 2009 was just 10.7%," the report continues. "Yet overall sales per enplaned passenger at AIRMALL airports in 2009 were only 3.8% greater than at peer airports, a margin that does not make up for the discrepancy in rent rates."

But Knight says sales per enplaned passenger are just one aspect of its successful business model, which has posted some of the highest per-passenger spends in North America over the past 20 years and has been given a variety of accolades.

"While it is a critical component of our success, a dramatic increase in sales per passenger is only one of the value propositions we bring to the airport authority as a concessions partner," he says. "It also represents only part of the equation when studying what the airport authority receives in return for partnering with a developer such as AIRMALL. With every one of our projects, AIRMALL has made a significant investment in the permanent infrastructure of the airports we serve so that we can improve amenities, update the facility and ultimately enhance the passenger experience. This saves our airport partners from having to invest millions of dollars to make similar improvements. Quite simply, this cannot be overlooked when it comes to what a developer brings to the table."

Knight goes on to say that at BOS, the company invested \$8M in 2008 to turn what was once a roof of the terminal into a new retail center with 20 more concessions units, bringing to the airport a revenue-generating initiative at a much lower cost than it would have to build a new terminal. He also cites how the company invested \$8.4M at CLE to change the face of the terminal and include permanent improvements to the building's infrastructure.

"As a full-service developer, we also absorb other costs that an airport authority would normally need to cover," Knight says. "For example, we collect tenant fees apart from rent to manage distribution facilities, handle common-area maintenance, and execute an airport-wide marketing program designed to support concessions sales. Collectively, this saves the airport millions of dollars on an annual basis. When you add these savings to the baseline rent revenue the airport receives from a developer such as AIRMALL, that revenue figure can rise by as much as 50 percent."