

Airport Concessions – Additional Questions & Answers (Updated 3/20/15)

1) Why is consensus scoring not in the RFP?

It is not a standard practice to provide that level of detail in the RFP. The evaluation criteria, evaluation scoring process, and weight for the evaluation factors were provided. The information provided for the scoring of the proposals is consistent with what the COH procurement manual recommends.

It should be noted that consensus scoring is a current best practice for evaluating proposals. This method was used in the evaluation of concessions for DFW Airport, and Tampa Airport, as well as other city government agencies.

2) Did the non-voting evaluation participants have the ability to skew the scoring?

Non-voting participants did not have an ability to skew the scores. As per the COH Procurement Manual (page 49): "The team leader serves as a chairperson and acts as a non-voting member to give guidance on procedural matters when evaluating proposals."

3) Why was scoring for oral presentations not mentioned in the RFP?

The scoring for the oral presentation was not different from the evaluation criteria set forth in the RFP. The same evaluation criteria and points were used for the oral presentations as was in the RFP. Each of the questions asked for the oral presentations tied back to the evaluation criteria and were scored accordingly.

4) Why was the fact that first round scores would not be considered in second round not detailed in the RFP?

The scores for the first round were not considered in the second round. However, the information from the proposal was not taken off the table. There would be no way for the evaluators to provide context for the responses given during the oral presentations without the technical information provided in the proposals.

5) The RFP said we were NOT going to do consensus scoring but we did. Why?

The RFP did not speak to consensus scoring. It spoke at a high level regarding the overall evaluation process. This is in line with what the COH Procurement manual recommends.

6) How were the evaluators selected?

The evaluators selected are highly qualified HAS employees in their designated fields within HAS. They were selected to represent the various levels of discipline that were reflected in the solicitation. Per the COH Procurement Manual (page 48), "The evaluation committee should bring together as much knowledge as possible..." Proposal components evaluated included customer service plans, business plans, design plans, staffing schedules, sustainability plans, logistics and inventory management, transition plans, construction schedules, flight operation plans, facility maintenance plans, marketing plans, innovation, quality of materials, management and organizational strategy, and other factors. Therefore, the evaluation committee consisted of managers from various divisions such as Commercial Development, Operations, and Infrastructure who were able to evaluate all aspects of the proposals.

7) What qualifications for evaluators did you consider?

The evaluation members were Managers and above who had the ability to evaluate operational, technical, financial and administrative matters. HAS also ensured no two members had a direct-report relationship. This is in alignment with the COH procurement manual.

8) It appears the rents proposed by ATU are unsustainable.

ATU Americas proposed percentage rent that would vary by product category, but average 36% of gross sales. The majority joint venture partner of ATU Americas is ATU Turizm Isletmeciligi A.S. (ATU Duty Free). ATU Duty Free was founded in 1999 and operates in 11 airports across 5 countries, with Istanbul being its flagship operation. It has \$730 MM in sales and 1,700 employees and has a managing partner, Gebr. Heinemann KG, that supplies over 1,000 retailers in the duty free field in more than 70 countries and operates its own duty free stores in 62 international airports, including Sydney, Kuala Lumpur, Singapore, Moscow, Hong Kong, and Beijing. With this extensive experience, HAS is confident that ATU Americas and its partners understands the duty free business and is fully able to project the rent that it can afford to pay and sustain. If, however, any vendor were to fail to meet the contractual terms the City would have the right to terminate the contract.

9) It appears that the rebuild/refresh requirement every 4 years is unsustainable.

The concession contracts will span from the date of countersignature through December 31, 2025 – slightly more than 10 years. It is necessary and customary in the airport industry for concessionaires to conduct a mid-term refresh of their stores. With the high traffic that is afforded these stores in an airport environment, they would otherwise become very tired looking and unappealing. The RFP required an initial investment of \$350 per square foot and mid-term investment of \$50 per square foot. These requirements are considered low in the industry and

were fully specified in the RFP. All proposers considered them when developing their financial projections and proposing their rent. The industry norms have established that these requirements are sustainable.

10) How does HAS respond to the following statement: “While Council Members can’t consider local participation, we can consider rent, sustainability of rent and practicality of awarding to a company that has no US presence.”

Rent and the sustainability of rent was one of the evaluation criteria in the RFP – Compensation HAS. On this basis, the proposal by ATU Americas is very attractive. Background and Experience was another evaluation criterion in the RFP and would have considered ATU Americas’ capabilities to operate in the U.S. in light of its significant presence in the duty free business worldwide.

11) How does HAS respond to the concern that it seems more vendors are leaving than staying?

Many of the concessions at IAH have been in place for over a decade and have done very well for themselves. In this RFP process, the packages were structured and sized to create more opportunities, such that we will have nine contracts going forward that replace five today.

12) What is the down side of pulling the item?

All of the existing contracts will expire by June of this year. Any delay in implementing the new contracts will result in the existing contracts going into holdover, with a delay in refreshing the restaurants and stores and implementing the higher proposed percentage rents. This would be a loss of approximately \$1.2 MM per month in rent at IAH and \$0.3 MM at HOU. In addition, the new international concourse at HOU, which will open in October, would have to open without any retail stores.

13) It appears ATU has no local or US presence. Is this a concern?

The City has established an Airport Concession Disadvantaged Business Enterprise (“ACDBE”) program in accordance with regulations of the U.S. Department of Transportation, 49 CFR parts 23 and 26. Under these regulations, the City must provide all qualified ACDBEs—regardless whether they are local, state, national or, as in this case, multinational as to origin and executive office location—an opportunity to receive and participate in the Houston Airport System’s concession program. This means that the City may not use local geographic preference as a basis for selection and cannot require a concessionaire, who otherwise satisfies the ACDBE requirements, to change its legal structure in order to include a local company.

ATU Americas is a joint venture with ATU Turizm Isletmeciligi A.S., a company organized under the laws of Turkey, and Air Ventures Inc., an ACDBE partner organized under the laws of Maryland—and certified in the State of Texas—which fully satisfies the ACDBE requirements.

14) Has HMS/Host ever received a mystery shopper score below 85%? If so, did HAS assess any penalties? If penalties were assessed, what were they?

Several concessionaires, including HMS/Host, have received a mystery shopper score below 85% at one time or another for one of more of their operating units. HAS cannot currently assess penalties, but has included language in the new concession agreements that will allow for sanctions to be assessed in the amount of \$5,000 per occurrence if a concessionaire's mystery shopper score falls repeatedly below 85%.

15) How much emphasis was given to rents in the evaluation process? Do any of the proposals offer more rent than others? How much more?

Compensation to the City received 10 points out of 100 in the evaluation process. Rent was important, but was not the primary driver in making the selections; value to the customer was central. Just about every proposal offered a differing amount of compensation. The concessionaire with the highest proposed percentage rent was recommended for award in 4 out of the 9 RFP packages.

16) Why did the scores change so much between the written and oral rounds? Are the oral evaluation instructions the same as the written evaluation instructions?

When two or more written proposals scored within 5 points of each other, the proposers were invited to deliver oral presentations before the evaluation committee. This occurred in 3 of the 9 RFP packages. The evaluation panel received the same instructions for the oral presentations as they did for the written evaluation submissions. In particular cases the proposer did not do as well answering the questions posed by the selection panel as they did in drafting the written proposal that brought them in to the oral interview. In such cases there were changes in the final scoring for these proposers that differed from the written proposal score.

17) Did any of the evaluators for the food and beverage packages have food and beverage experience? Did any of the evaluators have customer service experience? Please describe the job descriptions and backgrounds.

The concession program is an important part of the customer experience and is integrated into the overall operation of the airport. The evaluation criteria included factors such as customer service, management structure, operation plans, business plans, design plans, sustainability,

inventory and logistics, transition plans, staffing and scheduling, safety, quality assurance, variety of products, pricing, and other factors critical to identifying the best proposer. Consequently, many sections of the Houston Airport System are involved in supporting the concession program, including Commercial Development, Infrastructure, Airport Operations and Finance. The evaluation committee was carefully selected to be comprised of representatives from a cross section of these functional areas, some with general airport experience, but all with particular expertise in their area of specialization, and many with commercial experience as well. The team ensured that a diverse set of perspectives were considered in the evaluation. All evaluation committee members received training from our nationally recognized concessions consultant, AirProjects, on how to properly evaluate concepts. The evaluators were provided familiarization tours of the airport concessions by Commercial Development to provide them first-hand information on each location and prepare them for the role. Procurement trained the evaluators on the RFP evaluation process and consensus scoring.

As a matter of policy the Houston Airport System refrains from composing panels exclusively or in large measure from the business units for which the services that are the subject of any RFP are to be procured. The rationale for this policy is that we recognize that employees engaged in day-to-day management of services build relationships with the companies providing those services. We wanted to make sure that there was no ability for those relationships to spill over into the rating for any proposal. We did have very seasoned and experienced concessions personnel involved in the selection process, and were present in the sessions during which the ratings and interviews took place. But they were there to answer questions and did not participate in any voting that determined the outcome for any recommendation.

18) Who selected the evaluators? How long did it take to select the evaluators? How long would it take to re-evaluate the proposals?

The evaluators were initially identified from the pool of the Houston Airport System management group. Senior managers volunteered names of subordinate managers that would be best able to represent the airport and participate in the evaluation process. A pool of candidates for evaluators was developed, and resumes and disclosure statements were obtained. The Assistant Director, Procurement and Supply Chain Management, presented a slate of evaluators and alternates to the Director for approval. This process took several weeks.

We understand there to be no basis in the procurement manual that would allow for a re-evaluation of the proposals. The current process has taken 10 months thus far.

19) Why is the projected rent so much higher for IAH coffee package 1 than IAH coffee package 2? Are the coffee packages evenly distributed?

Specialty Coffee package 1 represents a portfolio of 6 locations with 5,700 square feet of space. Specialty Coffee package 2 represents a portfolio of 3 locations with 1,900 square feet. The

packages were structured this way to provide an opportunity for a new entrant or small business into the concession program. They are distributed among the five terminals so as to provide service in each relative to the volume of traffic each generates.

- 20) Have the protesters been provided with the following information and supporting documents for: A. The ranking of all respondents; B. A summary of the rationale for the award; C. A breakdown of each respondent's score (total points awarded in each scored category); D. The method of assigning weight to each criterion within a scored category as stated in the RFP?**

HAS will refer this question to the Legal Department. Total scores have been provided and we plan, after Council action, to offer a detailed debriefing to every submitter.

- 21) If additional criteria were considered in any category other than that which was actually stated in the RFP, please state each additional criterion in detail together with the weight each criterion was given in the points of the relevant scored category.**

There were no additional criteria considered.

- 22) Explain the judging procedure used to score each bidder.**

The proposals were evaluated against the criteria specified in the RFP. First, a score from 1-5 was assigned, by consensus, that indicated how well the proposal addressed the particular criteria. Then to emphasize the importance of the criteria a weighting factor, ranging from 1-5, was applied. The resultant products were then summed to obtain the overall score which could total as much as 100 points.

- 23) Did AirProjects, which assisted in drafting the RFP, have a role in judging process or facilitating the judging process? If so, please explain the role.**

AirProjects played no role in the judging process but did, as noted previously, help generate the RFP and train our evaluators.

- 24) What are the names of the owners of the winning companies?**

Please see the Affidavits of Ownership and the Fair Campaign Ordinance Forms "A" and "B" for each of the winning companies attached.

25) How is “disadvantaged” defined in federal law?

Please see Section 26.67(a) of Title 49 attached.

26) What are the details about the personal net worth stipulation?

Please see Section 26.67(b)(1)(i) of Title 49 attached.

27) Please provide the resume and/or qualifications of each of the evaluators of the concession packages.

The Legal Department will be handling the response to this question.

28) Do any of the recommended winning bidders, or their subs, for the airports concessions contracts owe any outstanding debts/taxes/fines/fees to the City? If so, could you please list the companies, amounts, and what types of fees are outstanding? If no dollar amounts are owed, could you also please state that in writing?

Per City Ordinance, prime contractors (including joint venture partners) are only checked for outstanding taxes owed to the City. All the prime/joint venture concession contractors were cleared as not owing taxes to the City.

29) Please provide the RFPs for the airport concessions contracts. Also, please provide the procedures/guidelines documents that the City has for the airport concessions contracts.

The RFPs can be found at <http://www.fly2houston.com/0/3918961/0/94600D94605D94624/>. The City's Procurement Manual can be found at http://www.houstontx.gov/legal/coh_procurementmanual.pdf.