



Commercial Management

## **Guidance for Reopening Airport Commercial Programs**

June 2020



## About ACI-NA

Airports Council International-North America (ACI-NA) represents local, regional, and state governing bodies that own and operate commercial airports in the United States and Canada. ACI-NA member airports enplane more than 95 percent of the domestic and virtually all the international airline passenger and cargo traffic in North America. Approximately 380 aviation-related businesses are also members of ACI-NA, providing goods and services to airports. Collectively, U.S. airports support more than 11.5 million jobs and account for \$1.4 trillion in economic activity – or more than seven percent of the total U.S. GDP. Canadian airports support 405,000 jobs and contribute C\$35 billion to Canada's GDP. Learn more at [www.airportscouncil.org](http://www.airportscouncil.org).

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## 1 | Introduction & Overview

The Coronavirus pandemic (COVID-19) has devastated the aviation industry worldwide, in international and domestic markets. Ensuring the health, safety, and security of the traveling public and airport workers is always an airport's top priority. As such, North American airports responded quickly to help contain the spread of COVID-19. Airports continue to take aggressive steps to protect everyone traveling through their facilities and their employees. As governments and industries around the world begin to develop guidelines for the recovery and resumption of air service following the COVID-19 pandemic, airports and their stakeholders are considering an array of new measures for implementation.

Just as airlines and airports share a significant relationship, the relationship airports share with their airport business partners is very important. A sustainable airport also means a healthy retail and restaurant business. The pandemic has revealed extreme points of exposure within traditional leasing models between airports and terminal concessionaires, rental car & ground transportation companies, and other commercial non-airline tenants, (collectively "airport business partners"). The industry forecast that it could be years before the travel and tourism industry recovery to pre-COVID-19 levels. Indicators from past events that have affected the aviation industry show that passenger volumes took multiple years to recover.

The ACI-NA Commercial Management Committee is the forum for the discussion and development of policies and programs that relate to non-aeronautical revenue. The [Commercial Management Committee Steering Group](#) developed the following guidance to help airports and airport business partners navigate the myriad of issues and challenges to reopening post-COVID-19. Unique local marketplace dynamics challenge airport reopening plans. Similarly, the complexities of airport business partner agreements with airports may present challenges in the short-term and long-term. For these reasons, this guidance highlights airline, passenger, concession operational, logistical, and administrative issues to consider when developing comprehensive reopening plans. In addition, the document introduces future business considerations, as well as the longer-term development of commercial programs and passenger services at airports in the 'new normal.'

ACI-NA recognizes that, as in most airport endeavors, there is no single correct, one-size-fits-all approach that is suitable for every airport. Airport operators must adhere to applicable procurement and business requirements, and they may or may not be able to change/influence them. That is why this report provides options for our Members to consider in light of the specific legal, commercial, and other factors in play at their individual facilities, rather than advocating a specific course of action that may be beyond their ability to undertake. The information will serve as a valuable tool for airport staff that is responsible for the business decisions concerning their concession program, as well as existing and potential concessionaires.

## 2 | Enablers for Recovery

Sustainability will depend on the COVID-19 pandemic duration, magnitude, containment measures, vaccine solutions and access to those solutions; the degree of consumer confidence for air travel and leisure activities; and economic conditions – unemployment situations for business travelers and disposable income for leisure travelers

Before air travel recovers, airlines, airports, and concessionaires must establish stable and effective measures needed to restore and instill passengers' confidence in air travel. Underlying economic conditions will then determine the medium to long-term path for recovery.

Critical enablers for recovery include:

- **Travel Restrictions**

- Domestic-led recovery with international travel only after stable recovery proven
- Non-essential domestic and international air travel permitted
- Destination country entry restrictions relaxed, including quarantine-on-arrival requirements

- **Travel Perceived as Safe**

- Mix of temporary mitigations to build confidence and longer-term 'new normal' measures
- Mitigation measures in airports, within concessions locations and on-board aircraft (cleanliness and hygiene, face masks, social distancing)
- Health screening (pre-boarding, on arrival)
- Destination perceived as safe (virus under control, quality of local health care)
- Minimal risk of getting sick

- **Confidence to Book Travel**

- Public health emergency is deemed to be stable, and the risk of a second wave of infections is mitigated
- Risks from airline bankruptcy are minimized or protected
- Airline refund and booking policies
- Stimulate the market with cheap fares to generate initial demand

- **Economic Outlook**

- Global economic outlook and recovery strategy
- Business and personal earnings and liquidity stabilize
- Unemployment and job security
- Government stimulus and other support measures

## 2.1 Potential Changes and Risks

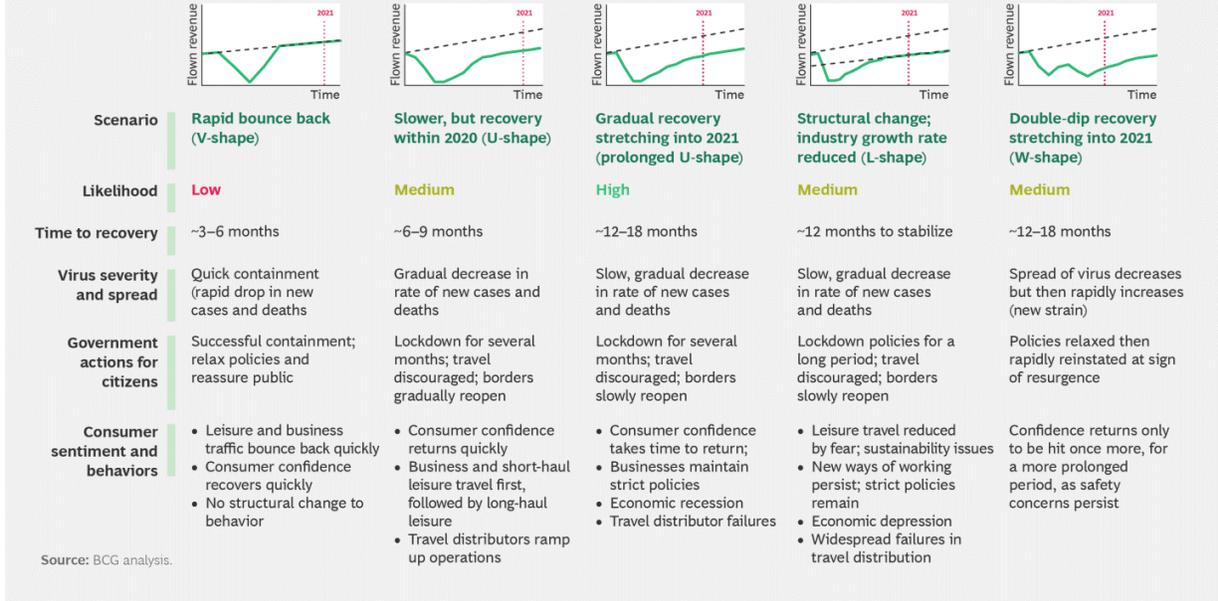
The public health emergency is likely to lead to further changes in the aviation industry, primarily accelerating existing trends but with risks that could reduce longer-term growth potential. Some of these changes have implications for reopening and may affect the future state of elements of an airport's commercial program.

| Airline Restructuring and Consolidation  | Airline Fleet Restructuring   |
|--|---|
| <ul style="list-style-type: none"> <li>Strong domestic airlines and LCCs recover quicker than long-haul carriers. Cash reserves and government support key to survival.</li> <li>Bankruptcy and consolidation leads to less competition and higher fares in the medium term, dampening demand.</li> <li>Networks consolidate onto the most profitable core routes, with secondary destinations pruned. Airport bases of struggling or failed airlines underperform.</li> <li>After initial cheap fares to kick-start demand, airlines focus on yield over volume.</li> </ul> | <ul style="list-style-type: none"> <li>Accelerated and early retirement of older and less efficient aircraft, especially larger aircraft (e.g., A340, A380, B744, B777).</li> <li>Aircraft returned to lessors, lease holidays, and lower lease rates in short/medium term.</li> <li>Deferred and canceled new aircraft orders.</li> <li>Accelerated trend towards smaller, more efficient long-haul aircraft such as the A321LR and B787.</li> <li>Focus on fleet flexibility to manage capacity with uncertain demand.</li> </ul> |
| Consumer Behaviors   | Environmental Impacts   |
| <ul style="list-style-type: none"> <li>Continued use of virtual meeting technology post-lockdown, reducing business travel demand – offset by the value of face-to-face meetings.</li> <li>Consumer confidence in air travel shaken – offset by post-lockdown desire for a holiday.</li> <li>Increased hassle-factor of air travel due to enhanced health security measures, similar to post-9/11 enhanced terrorist security.</li> </ul>  | <ul style="list-style-type: none"> <li>The focus on the environmental impacts of aviation and carbon-neutral commitments will not diminish.</li> <li>Short term improvements due to older aircraft retirement, but slower new fleet acquisition in the medium term.</li> <li>The aviation industry's ability to fund environmental improvements is impaired.</li> <li>More difficult to justify airport expansion with reduced demand.</li> </ul>   |

*Source: Mott MacDonald, COVID-19 Crisis Aviation Impacts and Future*

With the changes to the industry, the scenarios depicted below show different potential timelines for the recovery of the aviation industry, recognizing that the level of uncertainty is dependent upon many various factors.

## Exhibit 2 | Five Demand Recovery Scenarios in a Highly Uncertain Future



Source: Boston Consulting Group

## 3 | Customer Expectations

- **Instill Confidence**
  - Create an environment where employees and passengers want to come back to the airport.
  - Empower passengers with information and utilize all possible outlets (Chambers, Economic Development Corporations, media, social media, etc.) to deliver information on how airports will look and feel different during this time.
- **Pre-Travel Planning**
  - Passengers may plan their travel more thoroughly.
  - Utilize the airport website to offer tips on best practices like arriving early to beat the crowds, using carry-on to avoid checked bag handling, masks
  - Ensure concessions options are up to date on the website and digital directories
  - Highlight online ordering options and safety precautions
- **Repurposing Marketing and Promotion Funds**
  - The 2019 ACI-NA Concessions Benchmarking presentation shows that 47% of airports have a marketing program and spend it on in-terminal advertising, social media, customer service training and secret shoppers
- **In-terminal advertising may have filler space that can be repurposed to concessions messaging**
  - Funds could aid in providing consistency in social distancing floor markings in food courts or other concessions spaces
  - Funds could be used to support in concessionaire employee recognition
- **Passenger Service Empathy**
  - Airports may not be able to address all of the passenger needs, but airports do need to be sensitive to them. Moving to a customer-centric philosophy will help the industry stay focused on customer needs.

**#TPAREADY**

**5 NEW THINGS YOU'LL SEE AT TPA**

- Plastic shields in key high traffic areas
- Airport employees wearing facemasks
- Social distancing ground markings
- Blocked off seating in gate hold areas
- Additional cleaning crews and hand sanitizing stations

Tampa International Airport

Source: Tampa International Airport

**PIT Safe Travels**

The Allegheny County Airport Authority is dedicated to the health, safety and security of staff and passengers. ....

- Deep Cleaning Protocols Implemented
- Face Coverings Required in the Terminal
- Thanks for Waiting Here
- We've launched PIT Safe Travels, a program that boosts health and safety measures throughout our airports. ....
- Thank You for Practicing Social Distancing
- Thanks for Waiting to Bridge the Distance

Want to learn more? Check out these protocols already in place or visit [FlyPittsburgh.com/PITsafetravels](https://www.flypittsburgh.com/PITsafetravels).

PITTSBURGH INTERNATIONAL AIRPORT

Source: Pittsburgh International Airport

### 3.1 Passenger Profile

To manage customer expectations effectively post-COVID 19, airports need an accurate traveler profile that describes how traditional passenger behaviors and expectations may have changed. Airports should also consider the expectations of terminal employees who make up an important customer group for terminal concessions.

Changes to customer expectations may be long-term and permanent, while other changes may be short-lived and gradually shift back to align with standard passenger expectations. Understanding customer expectations will help airports determine which stores and restaurants reopen and when new services are needed to meet new expectations. An open mind, imagination, and a willingness to be nimble in decision-making, given the fluidity of the current circumstances, is key to a successful recovery.

Some elements of a passenger profile to consider as air traffic recovers:

**Business vs. Leisure Traveler** – Customer expectations in these traditional demographic segments may have changed post-COVID 19.

- Consider surveying the local business community to determine if companies expect to change their travel policies, which may reduce business travel and alter business traveler spending.
- Will business traveler dwell time increase because of uncertainty at the airports?
- Will they maintain “just in time” arrival at the airport or adapt their behavior to an earlier arrival to allow more time “just in case” the airport has delays?
- Will companies maintain corporate travel credit cards, or will business travelers make their purchases and seek reimbursements?
- Will companies reimburse travelers for airport parking?
- Will expense accounts exclude purchases at the local airport?
- Will leisure travelers be more cost-conscious in the post-COVID 19 environment?
- If business travel is slow to restart travel, will leisure travel exceed business travel?
- Will business and leisure travelers be reluctant to eat at sit-down restaurants and make purchases at specialty retail stores?
- Will there be more demand for quick-service restaurants?

**International vs. Domestic** – Airports can know definitively the international versus domestic travel schedule through coordination with Air Service or Operations staff.

- Airlines notify airports of changes to scheduled service, routes, and aircraft equipment.
- With this information, airports can determine if the international passenger mix should/will influence the retail or dining reopening plans.

**Communication** – Communication is a tool for managing customer expectations.

- Communicate honestly with the community about conditions at the airport.
- Start a dialog, tell the community about the safety measures the airport has implemented.
- Provide communication messaging to passengers

**New Safety Precautions** – Identify new behaviors and safety concerns customers may have and the safety measures that may be implemented.

- Availability of e-commerce transactions at the airport
- Airport safety and security measures that all customers expect to use as they did in the past
- Touchless technologies
- Passenger health & temperature screenings
- Safety features added in the terminals and concessions
- More or different concessions to support health and safety needs

## 4 | Reopening Smartly

### 4.1 Airport Considerations

#### Communication and Coordination

- Planning, a measured strategy, and passengers are required for concession locations to begin to reopen.
- Airports should continue to seek information from local and state agencies, regulatory partners, and concessionaires.
- Airport concessions managers should collaborate internally with their government affairs, communications, and operations team members regularly.

#### Reopening Potential Challenges

- Encourage airports and airlines have an open and transparent dialog and stakeholder meetings with concession operators to include:
  - Airport passenger forecasts and timelines
  - How to reshape the program in response to reduced passenger levels and economic decline
  - Strategies for reopening that address the customer volume expectations, the number of shops needed, employee re-engagement, and customer/employee safety measures.
  - Reduced passenger traffic may mean that some shops and restaurants may not reopen as the passenger volumes cannot financially support them.
  - Financial relief and the possibility that there may not be sufficient relief to help sustain every concessionaire.

#### Reopening Strategy

- Recovery will be a marathon, not a sprint
- Concession planning to rebalance the number of stores
- Thresholds for reopening – the positive economic milestones needed before for any new incremental store openings, and the specific actions to take to reopen stores
- Permanent closures – determining concept viability based on exposed traffic and customer spending changes
- Creative reconcepting of currently non-viable space – considering how unusable concession space may be converted on a temporary or long-term basis for productive use
- What is the pace of reopening, by terminal or concourse? Consider the following prioritization:
  - Open newsstands first

- Open specialty retail when traffic warrants
  - Limit hours of operation at the start or shorten hours based on gate usage and enplanements
- Open food & beverage options according to business demand with Grab & Go leading
- Limit menu offerings
- What are the trigger points for opening one unit, then another?
  - Passenger traffic
  - Number of departing flights
  - Projected enplanements and load factors
  - In-store traffic combined with conversion rate and sales performance

### Operational and Facility Considerations

- Operational and facility-related topics should be discussed with concession operators.
- The variety of options and collaborative dialog may result in implementing solutions tailored to individual concepts
- Reduced number of passenger touch points (selecting merchandise and paying for purchases)
- Protecting employees – Personal Protective Equipment (PPE) and new cleaning and safety measures
- Use of technology to drive sales
- Ensuring positive customer experiences in the face of change
- Products and supply chain constraints
- Brand viability and support, merchandise supply chains
- Consider potential on-airport distribution facilities to perform sanitation procedures before the product arrives in the terminal

### Future Concessions Sales

- Reduced Passenger traffic volume
- Reduced spending per enplanement
- Reduced spending by airport employees

### Potential Security Checkpoint Changes

- Consider potential security checkpoint changes, and the need for more space should additional health screening be required.
- If security checkpoints need to be expanded temporarily or permanently, how will it affect concession locations? Is there an opportunity for concessionaires to temporarily open until permanent decisions can be determined?
- It is encouraged for passengers to arrive early, and partnering with the communications team could aid in preserving dwell time.
- Consider potential security checkpoint changes for concession employees. Does this increase the travel time?

## Badging

- Airports should stay in close communications with government officials to understand considerations related to security badging.
- Current exceptions include extending badge expirations for employees that are not working regularly. These exceptions have been modified throughout the pandemic, and this will likely continue.
- Consider identifying technology that could improve the badging process.
- As employees return to work, consider taking the badging process to designated areas to process a large number of employees in a limited amount of time.

## Food & Beverage/Retail Seating & Delivery

- Consult with local agencies to determine if any changes are necessary for reopening
- States and localities are allowing limited seating in restaurants and limited capacity in retail establishments.

## Alcohol Sales

- Alcohol may be allowed to be purchased in a “to-go” container. If passengers were not previously able to roam with alcoholic beverages, this might be an opportunity for the airport to be granted a change in the local liquor laws in support of social distancing.
- Pursue amending local laws that govern alcohol sales in local municipalities?
- Passengers who consumed alcoholic beverages before may not be comfortable or inclined to go into a bar or lounge, sit at a bar, or go into restaurants.

## External Agencies Influence on Reopening

- Agencies affecting airport decisions:
  - Public Health (Federal, state and local)
  - TSA – Employee & passenger safety protocols
  - FAA – General restrictions, mandates, and approvals
  - DHS – Prohibiting or restricting certain flights
  - DOT – Minimum air service requirements
  - Health Departments (state and local) – store and restaurant operating standards
  - Local Law Enforcement
- Influence of politics and the subsequent impact on the speed of recovery efforts.
- Development of vaccine and treatment protocols
- Supply chain challenges and shortages
- Federal and State public health guidelines
- Consistent health and safety operating protocols
- International travel restrictions and guidelines
- Sustainability of businesses based on availability and maximization of stimulus packages
- SBA/local grant funding and other jurisdictional opportunities
- Insurance companies support of impacted businesses and future availability of business interruption/

loss coverage

- Local health department new requirements and re-inspections
- Municipality specific requirements

### Return of Operations

- Evaluate guidelines on access restrictions to ticketed passengers only and airport personnel.
- Ensure consistency in the requirements of facial coverings that will be acceptable within the airport environment.
- Work closely with local health department officials regarding requirements and inspection checklists.
- Work closely with local representatives of the potential implementation of new measures and procedures.

## 4.2 Concessionaire Considerations

### Reopening

- What do concessionaires need to resume operations and new responsibilities?
- Consider using/implementing a commercial task force at each airport to facilitate and consolidate planning during the reopening process.
- Consider maintaining a commercial task force to flow top-line support.

### Customer Service

- Are concessionaires expected to enforce requirements such as facial covering and capacity limitations?
- If passengers do not follow the requirements, what are the repercussions?
- Will there be signage in the terminal and in concession locations stating rules and consequences if not followed?
- Should retail locations sell facial coverings, gloves, individual hand sanitizer, wipes, etc.

### Health & Safety Considerations

- More prevalent/visible Personal Protective Equipment (PPE) for food service workers
- How/where do employees have temperature screening?
- Should employees be tested as they arrive at the airport?
- Should this be for all employees working at the airport?
- Who performs temperature screening?
- Should disposables be used in place of tableware?
- Do concessionaires need an onsite “safety” ambassador?

### Social Distancing

- How will social distancing be maintained when passenger traffic increases?
- Revised floor plans showing tables and bar seats removed for spacing

- Does self-seating need to be eliminated in the short-term? Have host stands?
- Queue lines for ordering and registers may have to go outside of lease lines. Is this going to be allowed by airports, and will there be lines on floors, etc.?
- How will food court seating be monitored? Who will control and monitor common dining spaces?

### Visible Cleaning, Touch Surfaces

- Plan to clean the cash-wrap surfaces and high touch surfaces multiple times per day and make sure cleaning is highly visible
- Plastic wrap payment devices for cleanliness
- Single-use menus for full-service restaurants
- Table and chair wipe-downs, disposable towels
- Cleaning of kiosks/self-order machines
- Cleaning of self-service areas, such as fountain drink dispensers and self-serve buffets.
- Protective shield wraps at cash registers and counters?

### Badging

- What will happen for badges that expired during this furlough period?
- Will the cost be waived for renewals?
- How will appointments be handled when reopened?
- Assume there will be fewer appointments due to social distancing.

### Airport Food Ordering and/or Delivery Mobile Apps

- Is this a necessity?
- Potential partnerships with Airport Food Ordering and/or Delivery Mobile Apps
- Contactless payment solutions
- Should the preferred method of payment be contactless?
- Will states still require that concessions accept cash?

### Grab & Go

- How does Grab & Go function?
- Who handles products?
- Local vendors, national vendors, third-party distribution?
- Do local store staff touch products?
- How are the products packaged?
- What are the vendor considerations?
- Double wrap the plastic containers of salads, sandwiches, etc.?

## Delivery

- Handling of products and required to wear gloves?
- How are products packaged and labeled?
- Are there other new items that would be smart to sell?
- How are products handled in the delivery phase?
- Who controls that the process?
- How do deliveries differ by local vendors using PPE equipment, UPS/FedEx deliveries?
- Do employees wear PPE to receive deliveries and bring them to the selling floor?
- Should packages be sanitized outside before opening?
- Upon opening packages, will employees have to change to new gloves?
- Reducing touchpoints

## Sales versus Profitability

- Higher cost to run the operations with additional PPE purchases and disinfecting store surfaces
- How does this compare with the pace of traffic increase?
- Where are the passengers within the terminal?
- What happens for stores that have newly awarded contracts?
- Consider existing versus new and the benefits and disadvantages
- Revise store designs to incorporate temporary and permanent social distancing requirements. How does this affect fixtures, merchandising, mix of Grab & Go vs. seated, and required table spacing? What will it affect sales projections?
- Is there a need to open new concourses?
- Do you build or postpone new concessions when capital could be cheaper?

### 4.3 Concessionaire Employee Engagement

Concessionaire employee engagement is more important than ever. Engagement starts with getting employees to return to work, and engagement is needed to keep them working. Several factors must be considered. Employers may need to allocate additional funds to recruit and retain current and new employees. Considerations for concessionaires:

#### Employee Engagement and Culture

- How would you describe your culture now – is it different than before? Do you want it to be different? How will you communicate your culture?
- How will you adjust your engagement strategy to keep employees motivated and inspired?
- Will you conduct an engagement survey in the near future?
- How will you host employee events considering social distancing?
- How will you give rewards and recognition, and will your focus now include health and safety?
- How will you show appreciation for those who have worked during the pandemic?
- How will you handle performance check-ins?

### Concessions Employees who have been furloughed or laid off

- What is your recall strategy for calling hourly employees back?
- Seniority or something else?
- What is your recall strategy for calling managers back? Seniority or other factors?
- How will you handle issues if employees believe they make more money on unemployment and prefer to remain furloughed?
- How will you handle issues if employees fear for their health and safety and wish to remain furloughed?
- Will you be offering return-to-work bonuses?
- Will you conduct an orientation to reboard employees?
- How will you reactivate badges?

### New Workforce Structure

- Will you use staggered shifts?
- Will you continue to allow/encourage remote work?
- Will you create a policy around remote work (if one does not already exist)?
- Will you be changing any job descriptions before bringing people back to work?

### Wages and Compensation

- If you decreased wages, will you make wages whole again? When will you do that?
- If you didn't already reduce wages, will you be doing so?
- Are you instituting Hazard pay? If so, for how long?
- Will you be eliminating any perks that existed pre-COVID-19?
- Will you be conducting performance reviews and wage increases this year? If not this year, when?
- Will you be considering retention bonuses?
- Will you modify your sick leave policies to allow more flexibility?
- How will you handle family obligations that arise from limited school and after school activities?
- Will you have a 401k match this year? If not, when do you expect to start matching again?

### Health and Safety

- Are you conducting pre-shift screening questions and temperature checks?
- What enhanced sanitation protocols have you put into place?
- What PPE have you put in place, and how will you train on PPE and other safety and sanitation protocols?
- Have you documented protocols on PPE and other safety and sanitation protocols?
- How will you maintain social distancing between associates and between associates and guests?

## Recruiting

- What do you expect your talent needs to be?
- Do you expect to fill open positions with furloughed employees?

## Labor Relations

- Do you have a collective bargaining agreement? If yes, notify the union of any new or changed requirements when it's time to recall employees.

## 5 | Passenger Services

Airports could consider adding or improving the passenger services that can help to instill passenger confidence.

### Cleaning and Disinfection

- Increase cleaning and disinfection activities and should be visible to passengers.
- Coordinate with concessionaires to ensure routine cleaning and disinfection of equipment.
- The placement of hand sanitizing stations in high touchpoint areas and strategic locations, such as food courts and dining areas.
- Hand washing stations, possibly near water fountains or other logical locations, as travelers may be averse to going into airport restrooms.
- Vending machines that sell hygiene products, such as hand sanitizer, wipes, and masks.
- Identify the roles and responsibilities of cleaning activities, such as frequency and cleaning products and materials used.
- Work with local stakeholders to ensure airports are a priority location for receiving cleaning products and materials.
- The increased costs associated with sanitizing products and labor should be memorialized amongst stakeholders and negotiated accordingly.

### Restrooms

- Reinforce cleanliness with friendly signage about washing hands using the Centers for Disease Control (CDC) guidelines.
- Visibly communicate how and how often restrooms are cleaned.
- Increase and monitor cleaning, sanitization, and restocking.
- Consider touchless fixtures, such as soap, faucets, hand dryers/towels, doors, flushers, and toilet seat wrappers.
- Provide trash cans and hand sanitizer near exits.

### Gate Hold Room

- Consider the opportunity to create seating that is more functional and accommodating for consuming food.
- Social distancing may impact seat configurations.
- Increase the use of touchless automated retail units.
- Mobile food ordering and delivery.
- Increase power outlet options that promote social distancing.

### Curbside Skycaps

- Reliance on skycap or porter services may decline, given the close contact required for some skycap functions.
- Travelers may avoid prolonged interactions with people where possible. Conversely, depending on the check-in process modifications, skycap or porter services may increase as passengers are potentially more inclined to check their baggage curbside.

### Customer Experience

- Consider the anticipation of increased passenger Wi-Fi usage and may need to increase the bandwidth or number of access points.
- Consider implementing video-based chat systems, virtual volunteer programs, web-based chatbot systems to provide relevant information to passengers.
- Music in specific areas.

### Concierge Services

- Passengers may have an increased desire for concierge-type services.
- Pre-booking options for passengers.

### Personal Care Services

- Airport personal care outlets, such as spas and gyms, may have enhanced requirements in the new airport environment.
- Personal care services automated retail kiosks.

## 6 | Airport Advertising

The demand for advertising space has decreased. Companies that would typically advertise have closed, or financially struggling and reduced operating expenses. Advertising spending is estimated to decline over 50 percent across all channels. Advertising budgets are vulnerable during business downturns as advertisers look to cost-cutting measures.

### Impact on Airport Advertising

- Advertising will be placed where brands are most likely seen by consumers where the recovery will happen quickly, and this may not be at airports.
- Products, brands, and services place advertising where research shows the consumer will absorb the message.
- Advertisers pay for the volume of people and the type of people who are seeing their ads. This includes the ability to narrow the target and the ability to target broadly.
- Advertising concessionaires cannot adjust placements like other concessions. They cannot close early or consolidate advertisements if terminals or concourses are temporarily closed.

### Advertising Revenue

- Advertising revenue is based on the quantity and quality of people seeing the ad.
- Traditional concessionaires generate transactional revenue from passengers. Conversely, advertisers pay to be seen in an airport over an extended time, with rates based on location and exposures.
- Advertisers often pay a premium price for advertising in airports to reach a specific target audience.
- Temporarily closed terminal or concourses reduces the exposure that generally leads to some form of rebate to the advertiser.
- Reduced passenger “eyeballs” may mean advertisers will reevaluate their strategy.

### Advertising Recovery

- Advertising revenue will trail passenger recovery by 6-12 months, as brands and media buyers watch for proof that passenger traffic has recovered.
- Advertising will experience slower growth than passenger growth as advertisers readjust seasonal and annual budgets.
- Advertising budgets are historically prepared annually in the third quarter. Will budgeting change?
- The advertising industry may have layers of billing that involves collecting payments from various clients.

## Advertising Considerations

- Consider instituting revised policies allowing “pay when paid” from the advertising concession or allow future adjustments for uncollectible accounts.
- Consider ‘bonus’ postings, to maintain future ad dollars and solidify airport advertising appeal.
- Advertising concessionaire contracts often require that the company pay the airport even if the advertising contract becomes uncollectible.
- Non-traditional elements such as interactive displays and experiential booths may be an option in the long-term, but this may be an expensive investment.

## 7 | Parking and Ground Transportation

Several scenarios are affecting how parking, rental cars, and ground transportation will persevere. Considerations should include:

- Determine if existing services could stay in place or no longer survive, and determine if new services are needed.
- Sustainability of the current business financial models versus new business model approaches.
- Impacts on FAA grant assurances.
- Social distancing and new protocols, such as vehicle sanitation.
- Minimizing touchpoints and using touchless technologies and other technologies,
- Restrictions and guidelines under federal, state and local laws.

### Parking

- Parking has suffered significantly more declines in use and revenue than any other non-aeronautical revenue sources.
- The downturn of parking revenues can be a substantial challenge for an airport if it has pledged parking revenues to pay parking garage debt service.
- Airports can reduce certain parking-related services to reduce operating costs.
- Parking is poised for an opportunity as passengers look to social distance and take their own transportation to the airport.
- Return of operations:
  - Consider closing parking areas that require parking shuttles and slowly ramp up as hourly/daily garage operations are approaching capacity.
- Opportunities to reduce touchpoints:
  - Credit card in and out systems
  - Promote the use of transponders if available (EZ Pass, Sunpass, etc.)
  - Online booking system – QR code in and out
  - Employee transportation
- Move employee parking to empty garages to reduce bus use from distant lots (for both social distancing as well as operating cost savings)
- Evaluate online payment solutions if valuable

## Rental Cars

- Downturn of rental car revenues: are pledged revenues needed to pay rental car facility debt service? Determine coverage ratios. Bond resolutions tend not to allow deferral of fees or waivers or reimburse for operating costs.
- Significant changes to contract terms. Monitor projected transaction days.
- Monitor expenditures to see where to reduce costs.
- Undertake a stress test for Customer Facility Charges to offset RAC rent. What are the considerations for changing the CFC rate?
- Determine effects on ACDBE businesses serving as subcontractors to rental car companies.
- Re-evaluate the need for a large inventory of cars given other external impacts, such as TNCs and other alternatives such as autonomous vehicles.
- Urban areas may demand different mobility options.
- Review “touchless experience” technologies

## Return of Operations – Considerations

- Allowing long-term consolidation of operations (multi-brand businesses) until the traffic reaches certain thresholds relative to previous years. (Enterprise, Rent-A-Car, Alamo, and National are owned by Enterprise Holdings, Inc.; Avis, Budget, and Payless owned by Cendant Corp.; Hertz, Dollar, and Thrifty owned by Hertz Global Holdings Inc.)
- Modify operating hours to align with limited arrival flight schedules and then position to ramp up.
- Review fleet mix to a gradual increase by size and type.
- If any rental car agency requested airport-owned lots to store excess inventory, possibly recalibrate lot rent as the lots purge (establish criteria).
- Sanitation and social distancing protocols within the Consolidated Rental Car Facility (CRCF):
  - Employees wearing PPE.
  - Use of plexiglass shields on limited counters, utilizing alternating positions at counters, and sanitizing counters.
  - Hand sanitizer stations.
  - Require social distancing signage, stanchions, and floor markers.
  - Self-service kiosks: sanitize after every use or spread out or remove.
  - Use appropriate social distancing and sanitization signage on the front doors of the CRCF.
  - Reduce the number of touchpoints – encourage skipping the counter and go straight to the car with mobile check-in.
  - Sanitation & Social Distancing Protocols for vehicles and buses:
- For Shuttle Buses – require rear access boarding and establish signage on bus doors. Limit the number of passengers on shuttles.
- Deep cleaning or multiple cleanings for vehicles and buses.
- Use UV lights for sanitizing rental vehicles and sterilizing keys.
- Alleviate guest concerns, and agents can wipe down the car in front of the renter.
- Touchless access to cars; use of mobile app/QR Codes to unlock doors/QR Code exits.

## Ground Transportation

- Will this be the end of airport taxis? Significant changes to taxi use, which was already negatively impacted by the growth of TNCs.
- Independent contractors who own cabs are filing for unemployment. Rethink the taxicab concession model.
- Surge of alternative transportation options.

## Return of operations for Taxis

- Sanitization & Social Distancing for Taxis
  - Full Plexiglass between front and back seats
  - Masks, gloves – limit handling luggage
  - Deep cleaning or multiple cleanings for taxicabs
  - Sanitize taxicab stand area
  - Mobile apps for taxis – hail ride in advance

## Other Ground Transportation Services (TNCs, Hotel Shuttles, Limos, others)

- Re-evaluation of pickup and drop-off points.
- Spread pickup access points between curbside and adjacent garages.
- Surge of more app-based technologies that could offer less personal interaction.
- Request for sanitization requirements in all ground transportation contracts.

## 8 | Airport Design Considerations

Before the COVID-19 pandemic, the 9/11 probably had the most drastic impact on airport design and process. Security screening of passengers and luggage, as well as employees and goods moving airside, is now almost as great a driver of terminal design.

The COVID-19 era adds a new and urgent but paradoxically less-focused pressure – space. It is not yet known what specific processes or technologies will be added to passenger check-in, security checkpoint clearance, boarding, or arrival. However, in the interim, additional space required for social distancing will be added, as well as various types of physical markers/barriers and partitions.

- Airports will need to carefully consider different approaches – illuminated/projected markings, adhesive floor decals, magnetic “breakaway” floor installations, and traditional stanchions may all be employed depending on circumstance, budget, and preference
- Cleaning as a general theme will take on increased importance for the foreseeable future- this may come in the form of increased staffing/frequencies, and/or the increased use of automation.

### 8.1 Concession Design Top-Level Considerations

#### Specific Questions and Practicalities

##### General

- What brands/categories will still be applicable? Which “street” brands will have survived?
- Will use clauses need to be altered, and will airports be flexible in allowing changes?
- What will be the new norms for retail stores in terms of size and capacity? Larger market-style stores offer greater square footage and flexibility
- Will the trend towards self-checkout for walk-away food accelerate? Will this also see an increased emergence in the retail sector?
- Will tenant design criteria manuals be given significant overhauls?
- How will storage area requirements change/increase? Will they now need handwashing areas and sanitizer for receipt and opening of goods?

##### Social Distancing

- Will entrances to retail stores/restaurants be increased in width?
- Will all entrances and exits need to be separate doors in order to dictate customer directional flow & prevent “walk-by”?
- What will restaurant seating areas look like? Plexiglass partitions?
- Will every POS (Retail and F&B) require a Plexiglass shield?

- What kind of new staffing roles will be required? “Ambassador” at every entrance to each store to prevent overcrowding, brief customers on specific rules/policies?
- For retail, how is distancing maintained throughout the stores? What kind of social distancing measures are practical at the entrance/throughout the stores/cash wraps?
- Does the customer flow one way around the store, or do they have freedom of navigation?
- Will aisles need to be wider, if “walk-by” traffic is to be permitted, or will directionally-planned stores eliminate that?
- What about distances between wall bays?
- What happens to changing rooms inside specialty stores? Will there be new/increased minimum requirements per local health departments?

### Surface Touch

- Will retailers/food vendors need sanitizer stations at exit/entrances and throughout stores
- Will all retail stores need to have handwashing facilities for customers/staff?
- How much cleaning will be essential (by law)?
- Will retail and F&B outlets implement open-air coolers instead of closed-door?
- Will Grab & Go coolers need to be enlarged to accommodate bulkier packaging/product spacing?

## 9 | Business Considerations

This guidance would not be complete without reviewing the impacts on airports, airport business partners, and the leasing environment at airports. This section outlines key business terms and concepts that airports and airport business partners should address as we enter both the recovery and stabilization phases, as well as the longer-term development of commercial programs and passenger services at airports in the 'new normal.'

### 9.1 What We Have Learned

To varying degrees, the airport industry and airport business partners have enjoyed a general growth trajectory over the years. Increasing passenger levels were generally enough to smooth any short-term disruptions that may have influenced a particular stakeholder. COVID-19 has pushed many of the agreements between airports and airport business partners to an unmanageable point. There is a growing recognition that some standard lease assumptions may no longer be valid. Many airports and airport business partners are grappling with how best to approach their business relationships in the new environment and what an appropriate balance of proceeds from business activities should exist given the realities of assumption of such business risks.

In a rapidly evolving world, it is likely naive to believe we are experiencing a once in a lifetime situation, reflecting on what we are learning now may well better prepare us for the future ahead. A recurring common thread has revealed itself amongst airports and airport business partners that communication and collaboration are imperative to each other's respective success and sustainability, considerations include:

- Have frequent, open, and honest dialogue.
- Establish an airport-operator task force to help the airport develop a measured reopening plan.
- Speaking with stakeholders individually may inadvertently hurt a different stakeholder.
- Understand and recognition by airports and airport business partners of each other's business environments and constraints.
- Avoid potential non-value added behaviors such as business posturing and lengthy negotiating stances rather than an environment that ensures trust and focus on the sustainability of the whole industry.
- Collaboration is essential if the entire industry is to succeed.

### 9.2 Recovery Phase and Stabilization Phase

As airports embark on recovering from this event – and in preparation for future events, non-conventional thinking and thoughtful consideration on the part of the airport and the airport business partner is necessary. Reopening strategies will be highly localized to address conditions unique to each airport. Airport business partners likewise must develop specific reopening strategies for each airport within its network. This guidance document recommends the following strategic framework for airports and airport business partners to consider while developing recovery strategies and tactics that ultimately lead to a stabilized present reality and ideally a sustainable and prosperous future.

### 9.3 Considerations for Recovery Phase

- Ensure reopening solutions do not cause destructive competition, which is a risk in terminals or marketplaces with multiple airport business partners operating. Plans should consider if:
  - Stakeholders not only generate sales but also that sales reach a level of profitability with positive cash flow.
  - The order of reopening to ensure that concessions unit costs are commensurate with sales potential to prevent negative cash flow.
- Consider the need for enplanement or other thresholds to trigger reopening.
- Consider establishing service levels with a vision for the new stabilization phase.
  - There may not be a single threshold or one based on enplanement. This may require a conversation with each stakeholder.
  - If an airport wants a business or service to be open and hold specific hours of operations, and the economics may not work, and this may be a creative business arrangement.
  - Airport business partners pro forma at the bid / RFP process could be evaluated as a potential baseline to what levels create a sustainable business framework.
- Establishment of programs and service priorities to meet passenger needs and airport customer experience goals.
  - Within the terminal concession program, consideration may be sequencing the priority of opening venues such as: 1) travel/convenience; 2) specialty coffee with broader food selection; 3) quick-service restaurants 4) fast-casual; 5) full-service restaurants (based on volume and social-distancing measures); and 6) specialty retail.
  - An interim business arrangement may be required to advance the recovery phase strategy.
  - Consideration of stopping a store from opening may trigger the temporary or permanent taking clause in the lease.
  - Minimum rents and/or guarantees may require adjusting during the recovery phase and strategy to reflect business venues that are open and providing services.
  - Length or term extensions may be considered to assist with the amortization of airport business partners funded capital investments.

### 9.4 Considerations for the Stabilization Phase

- Airports may have to consider a drastically smaller and/or less diverse concession and/or passenger service program:
  - If there is too much space dedicated to a specific type of concessionaire or another business operator, one or both may ultimately fail.
  - Many airports have expanded commercial business programs over the years. Some programs now seem overly sensitive to any changes in passenger traffic.
  - Some airport business partners report that a 10-15 percent change in passenger traffic may cause the business to stop being profitable.

- Rent (MAG and/or percentage) and capital tied to sales projections that are dependent on passenger traffic and an ultimate ROI.
  - Although challenging to quantify accurately – the extent of new measures will have an impact on operational viability that will need to be considered. (i.e., reducing restaurant capacity to meet new criteria will have an impact on the size, scope, and financial performance of airport commercial business programs moving forward).
- Business structures may need to be updated to address the new reality of commercial businesses within an airport environment.
  - Should profit-sharing or management fee models be considered to reflect an airport underwriting of business risk?
- Evaluation as to potential flexibility within base rent and/or minimum guarantee adjustments.
  - What types of events should trigger adjustments to commercial agreements?
  - Would full removal of the MAG and/or base rent impact bond assurances?
  - Some airports have passenger traffic disruption related triggers.
- Term adjustments might be considered to allow amortization of airport business partner capital investments and relief from future investments such as mid-term refurbishments and/or reconcepting requirements.
- Consideration may be needed to formalize both an abatement clause and a catastrophic events clause within all business arrangements moving forward.
- Establishment of an appropriate framework for the “new” normal will require candid dialogue and open communication between airports and airport business partners — a balance among all parties and a commitment to focusing on industry-wide business health and viability.

## 10 | Lease Considerations for the New Normal

Posed in the form of “should” questions below are thoughts airports and airport business partners may wish to consider when establishing specific lease and/or other business arrangements within the new reality.

### Length of Terms

- Terms reflect the capital expense associated with the build-out cost rather than a fixed term that may have become the arbitrary norm within the industry (i.e., 5/7/10 year term that has become the norm within the terminal concession arena)?
- Terms reflect the ability at the airport discretion to be extended based on specific criteria?
  - Sales performance against enplanements?
  - Sales performance against square footage?
  - Against industry norm or locally based competition?
  - Operating standards?
- Refurbishments be required? Does it matter if it's a five-year deal? Do refurbishment dates get delayed in the event of temporary closures?
- Re-model/re-branding discussions be had, based against pro-forma analysis at the end of every 12-month cycle, with appropriate term extension against re-investment levels as a proportion to the initial investment and initial term?
- Term extensions be justified and ratified against the proportionate re-investment? Should there be a limit?
- Venues that are closed during economic downturns receive a commensurate adjustment in the term?

### Investment

- Minimum investments be removed or adjusted?
- Maximum investments be agreed with all parties agreeing that further limited-term be agreed upfront?
- Investment be set at a range and the term based accordingly within tight criteria and be directly related to the level of investment?

### Modeling

- Airports and airport business partners look at management fee structures with expenses reimbursed to operators and fixed management fee paid with airports receiving all profits and losses versus standard MAG and percentage rents?
- Airports look at different revenue modeling against bond investment?

- Estimated sales/percentage rents versus MAG 'guarantees'?
- Airports and airport business partners look at Joint Venture (JV) structures where both parties are fully vested?
- Capital expenditure (CapEx) may be lowered and shared
- Profit-sharing a model be considered?
- RFP's refrain from having financial elements in terms of MAG or percentage rent evaluated as to more mirror an RFQ process? Should they be established and not be biddable?
- Would/could this be a more open discussion post-award based on other factors?
- MAG's be tied to enplanement numbers?
- MAGs be directly tied to enplanements?
- MAG's be tied to inflation?
- MAG's be set for the term of the contract with no increase?
- The MAG in year one or two of the contract be eliminated?
- Every contract has a cash reserve clause within the agreement that forces a percentage of rent and profit to be laid aside to cover rent obligations and additional costs associated with a pandemic or forced closure period?
- Adequate Storage be provided as a percentage of the overall area awarded and at no additional cost, i.e., included within the rent offered?
- Marketing fees and their associated spending be made more transparent and accountable as an expense and audited accordingly?
- Common Area Maintenance (CAM) charges be more transparent and accountable as an expense and audited accordingly?

## Pricing

- Airports refrain from pricing policies in the event a competitive terminal model can be created and exists?
- Airports pricing policy be flexible and based on formulas against the pro-forma and by the style of concept: for example, branded/non-branded, and consider the costs associated with running the specific brands/concepts (pro-forma analysis)?

## Financial Reviews

- Airport business partners share P&L information versus pro-forma to assess the success of a particular concept/program and increase transparency to advance mutual trust?
- Airport business partners share their transactions as well as sales information?
- Airlines, and airports and TSA establish a clearer path for passenger traffic numbers?
- Airports invest in technology to measure and share enplanement data by flight/gate?
- Formalized reviews be set up on an annualized basis and measured against other like for like concepts in one airport or other industry measures?

## Legal Clauses

- Force Majeure clauses have pandemic or catastrophic language added? Address whether a tenant in default when not paying rent during such an event?

- Force Majeure clauses be broadly drafted to cover pandemics, governmental actions, and similar circumstances beyond the Tenant's control?
- Investment reimbursement clauses include the time and value of the initial investment, as well as the undepreciated costs for times such as the current pandemic?
- A clause addressing "Severe Decline of Enplanements" be added, which specifically addresses its triggers and its reinstatement?

### Solutions

- All airport business partners in a concession program be treated the same way based on at least the same criteria? Should ACDBE's, Primes, JV's be treated the same?
- Each airport business partner be treated individually within the same measurement criteria? Does it matter the amount of term left, the level of investment, financial performance, etc.?
- Eligible airport business partners be required to apply for and secure business assistance from other programs available through the federal government to assist private businesses in lieu of seeking specific relief from local airports?

### Operating

- Minimum opening hours reflect the sensibility of traffic expectations against certain percentage levels?
- A concessions working group be formed and regularly discuss operating issues and hours of operation/traffic movements/commercial aspects?
- Airport business partners have the option of closing for business or reducing its hours of operation if demand does not justify continued operations and payroll costs?
- An airport amend or adjust the layout of a venue, its merchandise lists/menu items if the product range is within the initial use clause to address business interruptions?
- Stock obsolescence be considered? The cost of out of date consumable products as well as markdowns on fashion and regular merchandise as additional cost impacts.

## 11 | **Conclusion**

The Coronavirus pandemic (COVID-19) has devastated the aviation industry worldwide. Ensuring the health, safety, and security of the traveling public and airport workers is always a top priority.

Communication and collaboration among stakeholders are essential for industry success and sustainability. Airports and airport business partners have developed resource networks during this event that can be activated during future emergency events. This requires ongoing evaluation of operations, commercial businesses, and commercial business plans.

The Commercial Management Committee Steering Group hopes this guidance helps airports and airport business partners to work together to make decisions that maximize the opportunity for a smooth transition to service while minimizing potential negative outcomes.

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