

Item Number: 6d\_Supp  
Date of Meeting: September 11, 2012

# Sea-Tac Airport Duty Free: An Historic Opportunity



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SEATTLE-TACOMA INTERNATIONAL AIRPORT

# History of Duty Free at SEA



- Duty free offerings began in 1966
- Master Concessionaire then Host Marriott
- First dedicated stores built in 1999
- Duty free never competitively contracted

# History of Duty Free at SEA



- Scandinavian Airlines 1<sup>st</sup> intercontinental service
- International enplanements, 1967: 173,604
- First dedicated stores built in 1999: 1,195,759
- Estimated 2012: 1,572,676
- Average future annual growth 3.6%

# End of Master Concessionaire

- Non-competitive new contract in 2005
- Five year term, three locations
- Rent remained at same level, 16%
- Extended through 2010 due to poor economy, dip in international enplanements

# Request for Proposals, v. 1

- Issued RFP in early 2010
- Included three locations
- Withdrawn due to airline uncertainty
- Delayed re-issuance during 2011 stakeholder process
- Greater clarity about realignment changes

# Unanticipated Change

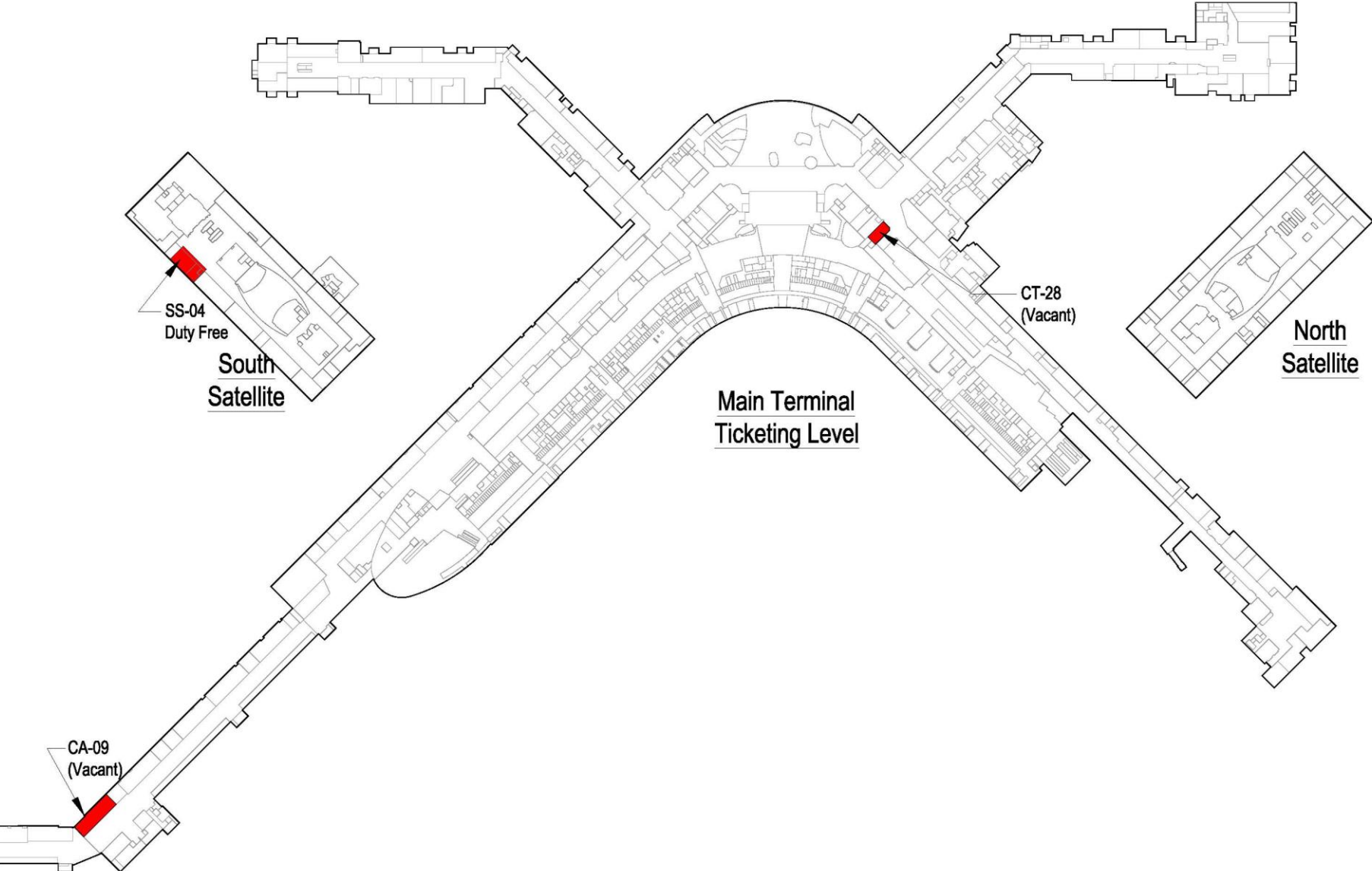
- Host leaves U.S. duty free business for other Autogrill companies
- Uncertainty, looming construction
- Temporary operator, HG Retail, August 2011
- Increased sales by 20%
- Hired 18 new sales associates

# Request for Proposals, v. 2

- Issued in May 2012 for three locations
- Proposals received on August 2:
  - Proposals from five world-class operators
  - Innovative storefront designs
  - Increased Minimum Annual Guarantee (MAG)
  - Projected increased sales, new hiring

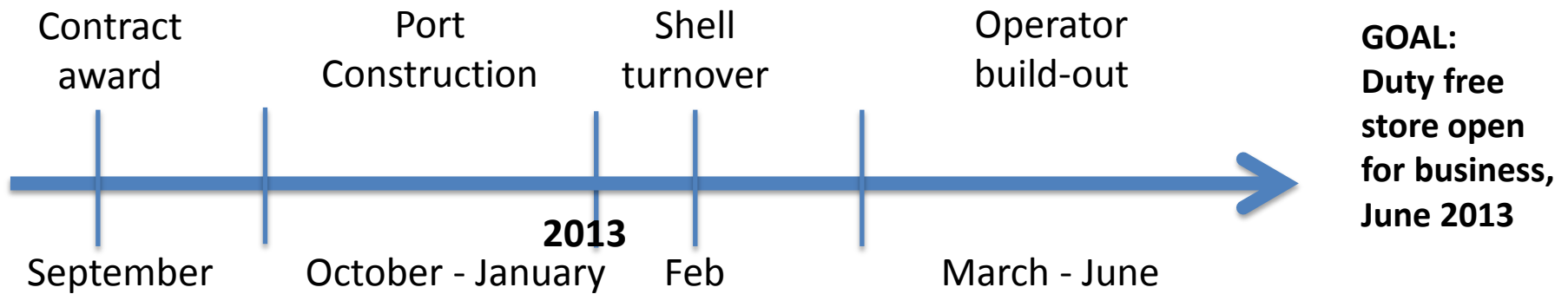


# New Duty Free Locations at Sea-Tac Airport





# South Satellite Schedule



**Total Time Frame: Approximately 40 weeks**

# Construction Phase Impact

