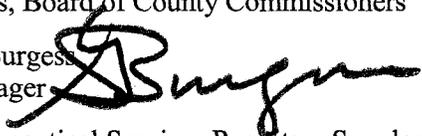


Memorandum



Date: May 17, 2005

To: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

From: George M. Burgess
County Manager 

Subject: General Aeronautical Services Permits - Supplemental Report

Supplement to
Agenda Item No.
8 (A) 1c

This memorandum provides supplemental information with respect to the percentage fee under the General Aeronautical Service Permits.

Pursuant to the RFP for General Aeronautical Service Permits as approved by the Board pursuant to Resolution No. R-401-04, on April 13, 2004, proposers were required to propose to the County a Minimum Annual Guarantee ("MAG") for each applicable year of the term of the permit of not less than Two Hundred Eighty Thousand Dollars (\$280,000). As additional consideration for the rights and privileges granted permittees, each permittee was also required to pay the County the amount by which seven percent (7%) of the gross revenues derived from its operations of the permit exceed the MAG.

Under Resolution No. R-101-01, the County Manager or designee is authorized to negotiate opportunity fees on gross revenues of third-party vendors providing goods and service to tenants and users of MIA and to the traveling public upon a determination that a higher or lower fee is in the best interest of the County, such determination to take into account competitive charges at other major commercial international airports, the economic circumstances applicable to the commercial venture in question, and any other consideration that the County Manager or designee determines to justify a higher or lower fee.

The seven percent (7%) fee was confirmed with Resolution No. R-442-02 which established general parameters of a seven percent (7%) maximum percentage fee for third part vendors providing services to tenants under permits with the Aviation Department. The same resolution provided for higher percentage fees for sales to the public. However the prior seven percent (7%) fee level was retained, as the fee is typically passed through to the airline tenant by the vendor, and any increase in percentage was expected to be met with strong objection from the airlines that ultimately pay the fee in charges received from the permittees.

As requested by the Board, the staff has reviewed available survey information and conducted its own quick survey of other large airports to determine the appropriate level of fee based on competitive charges at other major commercial international airports. Staff reviewed the most recently available Rates and Charges Survey Report produced by Association of American Airport Executives (AAAE). The survey includes data from over 240 airports across the US and Canada, including 13 large hub airports. However, information from large hub airports regarding fees for aeronautical service providers is shown for only one airport, Pittsburgh International Airport, which also has a 7% percentage fee. On May 4, 2005 the Aviation Department sent a survey to 20 airports requesting information regarding their percentage fees for aeronautical service permittees and whether there were any limitations on the number of permittees permitted to operate. To date, responses have been received from Atlanta Hartsfield International Airport, Dallas-Fort Worth International Airport, Pittsburgh International Airport, and San Francisco International Airport.

As discussed below, the information gathered provides some insights but also illustrates how many factors are unique to the operating environment and business structure of the airport.

The number of operators that are allowed to hold permits concurrently is a product of the space constraints of the respective airports and the forcefulness of the airlines in insuring that they have access to their desired service providers. Of the four respondents, three airports had no limitation on the number of permittees; one

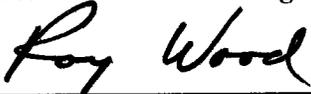
airport limited the number to 3 providers [I need to call and find out if it is one large multi-services permit like MIA's or a number of permits for the individual services].

The fees charged by respondents to the permit holders are quite varied. The percentage fees charged by airports to concessionaires or permittees for services to the public such as food & beverage concessions while not uniform across airports are usually within a similar range. The percentage fees charged by airports to permittees for services to airlines or other tenants varies wildly depending on the nature of the opportunity offered, the nature of the airport's rate making methodology, the terms of the airline agreement, and the dominance of the airline customer base. These characteristics are demonstrated in the survey results.

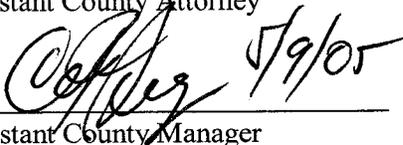
At two of the airports, there is no percentage fee charged for the permittees, however the permittees are required to lease space sufficient to accommodate all of their equipment or must remove the equipment from the airfield when not in active use. At both of these airports there are no limits on the number of permits that can be issued. Under this environment, the airlines are frequently bringing in their preferred service provider, and charging a permit fee would result in a higher cost to the airlines. At one airport, a seven percent (7%) fee is charged, even though there is no limitation on the number of permittees. At the fourth airport with a limitation on the number of permittees, the permittees are charged at flat fee of \$550 per month.

Based on these limited survey results, the Aviation Department does not believe that it would be in the best interests of the County to increase the percentage fee for the General Aeronautical Service Permittees above the current seven percent (7%) fee. However, the limited number of permits that can be accommodated at MIA due to space constraints and the large number of carriers at MIA presents a valuable business opportunity to the GASP permit holders. To eliminate the percentage fee would require that the landing fees at MIA be raised by \$5.5 to \$6 million and result in a \$.20 increase to the rate. Therefore, the Aviation Department recommends that the seven percent (7%) be retained.

Approved as to Form and Legal Sufficiency



Assistant County Attorney



Assistant County Manager