

Memphis Shelby County Airport Authority

FY 2018-2020 Airport Concession DBE Goal Methodology (Car Rental Concessions) for



Memphis, TN.

With Assistance From



Ken Weeden & Associates, Inc.

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METHODOLOGY for Establishing the FY 2018 – FY 2020 Airport Car Rental Concession Disadvantaged Business Enterprise (ACDBE) Goal for:

Memphis International Airport, Memphis, TN (49 CFR Part 23)

In fulfillment of the requirements of 49 CFR Part 23, the Memphis Shelby County Airport Authority (“MSCAA”) has developed a proposed Overall Goal for FY 2018 – FY 2020 for Car Rental concessions at Memphis International Airport.

General Information:

Airport Sponsor: **Memphis Shelby County Airport Authority**

Airport: **Memphis International Airport**

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I. Amount of Goal

The Memphis International Airport’s overall car rental goal for the period beginning October 1, 2017 and ending September 30, 2020 is the following:

Table 1: Overall Goal-Car Rental

Overall Goal:	<u>3.0%</u>
Race-Neutral:	<u>0.0%</u>
Race-Conscious:	<u>3.0%</u>

The base of the goal will be the total purchases of goods and services for car rental operations at MSCAA.

There are no new car rental concession opportunities anticipated for this time period. If additional car rental concession opportunities arise prior to the end of this goal period and the estimated average of annual gross revenues is anticipated to be \$200,000 or greater, MSCAA will submit an appropriate adjustment to the overall goal. This will be submitted to the Federal Aviation Administration for approval at least 90 days before issuing the solicitation for the new concession opportunity (23.45(i)). It should be noted however, that potential “opportunities” in the form of purchases of goods and services by car rental companies is present throughout the goal period.

A. Projected Concessions Opportunities: October 1, 2017 - September 30, 2020

ACDBE opportunities for the 3-year period will be the total expenditures on goods and services by car rental operators at MSCAA during the goal period. The projected dollar value of goods and services expenditures will increase 3% over the next 3-years compared with FY 2016 expenditures of \$50,747,560. The projected expenditures over the goal period is \$161,561,302.

Table 2: Goods & Services Expenditures

Report Period	Expenditures
FY 2018	\$52,269,987
FY 2019	\$53,838,086
FY 2020	\$55,453,229
Total	\$161,561,302

B. Determination of Market area

MSCAA’s 2013 disparity study, “The State of Minority and Women-Owned Business Enterprise: Evidence from Memphis” was used to determine MSCAA’s market area. Market area is defined in the ACDBE regulations by the geographical area from which the substantial majority of firms seeking to do concessions business with MSCAA are located, as well as the area in which firms that receive the substantial majority of concessions-related revenues are located. 49 C.F.R. § 23.51(b)(3).

The 2013 Disparity Study defined MSCAA’s geographic market area as the Memphis MSA market area based upon the location of 75% or more of MSCAA’s overall business activity.

Sources: 1. Mscaa’s 2013 Disparity Study. Executive Summary Page 4

Table 3: Car Rental Market Area

Market Area
Memphis MSA

II. Methodology used to Calculate Overall Goal

Car Rental Goal Setting: An Innovative Approach

A. Introduction:

The Memphis-Shelby County Airport Authority, operator of the Memphis International Airport, is aware of recent national discussions concerning appropriate and viable approaches for ACBDE goal methodologies for MSCAA car rental industry. Should goals be based on relative “gross revenues”, or relative “gross expenditures” for goods and

services? Or, should car rental companies be subject only to some sort of “national” goal? These are just some of the discussions that Airports have faced recently. The Memphis International Airport team, having completed a Disparity Study in which car rentals were considered, came up with another question: “What if the local car rental companies were given the ‘normal’ parameters of a two-step process described in the regulations, and with assistance from MSCAA staff, given the opportunity to calculate and set their “own” local car rental ACDBE goals on the basis of purchases of goods and services?”

To do so, would require a much more detailed disclosure of “local” purchases/expenditures than the local, on-site car rental offices were accustomed to providing. Previously, most financial information, even for local car rental offices, came from the respective national corporate levels. MSCAA compliance staff, however, put forth the approach to each of the four (4) major companies. The responses were surprisingly supportive, but with a major caveat: None of the companies wanted their detailed purchases and expenditures publicly released. So, there was an agreement. The individual companies would provide detailed expenditures for local goods and services, with the understanding that they would not be disclosed. MSCAA agreed to do this.

B. Detailed Methodology Approach:

So, MSCAA compliance staff took the following steps:

1. Collected the detailed expenditures of each car rental company, in a confidential manner.
2. Assigned NAICS codes to each of the expenditure categories, by percent of totals to determine “weighting”.
3. Utilized the DBE/ACDBE Availability tables derived from MSCAA’s Disparity Study, for each of the same corresponding NAICS codes, for the analysis of relative availability.
4. Worked with each car rental company to calculate a baseline ACBDE goal for each of the car rental companies.
5. Discussed adjusting the goal (Step 2), with the car rental companies, if there were relevant factors.

C. Results:

1. Step 1: Base figures

For each of the four (4) major companies, the results ranged from 1.22% to 4.73% (In keeping with the non-disclosure agreement, the individual companies will not here be specifically identified). However, below is a real example of one of the Table calculations:

Car Rental Goal actual calculation Example-1: (By Agreement, MSCAA cannot disclose the actual company)

Table 4 : Memphis International Airport: Car Rental ACDBE Goal Calculation EXAMPLE, using local purchasing cost figures provided by the Company.

Service Type Descriptions	NAICS CODES	Cost Breakdown	% Availability of ACDBE's	% of Estimated Total Expended	Weighted Total Availability
Auto Body Shop	423120	260,955.75	18.63%	8%	1.54%
Auto Glass Repair Installation	238150	30,891.00	0.00%	1%	0.00%
Auto Repair & Maintenance	811111	1,073,609.15	0.00%	34%	0.00%
Automotive Detailing Service	811192	521,131.63	10.00%	17%	1.65%
Building repair and maintenance	236220	31,704.68	24.51%	1%	0.25%
Gas	324110	1,081,183.57	0.00%	34%	0.00%
Insurance Services	524210	45,178.02	14.12%	1%	0.20%
Janitorial Services	561720	41,430.13	55.31%	1%	0.73%
Office Supplies	453210	26,515.88	38.41%	1%	0.32%
Towing Services	488410	42,662.63	3.00%	1%	0.04%
			0.00%	0%	0.00%
Total		\$ 3,155,262.44		100.00%	4.73%

Source: Memphis International Airport Compliance Staff.

Similar calculations were made for each of the car rental companies, i.e. Hertz, EAN,(Enterprise, Alamo, National), Avis, and Budget, again using their own locally provided purchasing figures (which, again, they did want to be identifiable to the competing rental companies and MSCAA accepted this condition). Furthermore, each company “signed off” on, or agreed to accept the results as its “individual” targeted ACDBE goal. A summary of the results, with the identifications showing as A, B, C, and D, are as follows:

Table 5 : Individual Car Rental Goals, and Overall Goal Calculation: MEM

Car Rental Company:	ACDBE Weighted Percent Goal
A	1.220%
B	4.73%
C	2.34%
D	3.64%
Median:	3.0% (2.99)
Mean:	2.98%

Source: Memphis International Airport Compliance Staff;
Compiled by Ken Weeden & Associates.

The overall triennial Step 1, or base figure Car Rental ACDBE goal for FY 2018-2020, Memphis International Airport, based on this direct input approach from each car rental company, is **3.0%**.

2. Step 2: Adjustment -Past Participation

Because of this new and innovative approach, again especially since the individual goals were developed with direct input from the car rental companies, and the companies have agreed to abide by these goals, MSCAA will not consider any “adjustment” factors. Therefore, the final proposed overall ACDBE triennial car rental goal for MEM for FY 2018-2020 is **3.0%**

III. Consultation with Stakeholders (23.43)

As a recipient of federal funds, MSCAA is required to consult with stakeholders prior to the submission of its ACDBE goals.

Before establishing the ACDBE car rental goal, MSCAA consulted with stakeholders in its concession program to obtain information concerning the availability of disadvantaged and non-disadvantaged businesses, the effects of discrimination on opportunities for ACDBEs, and MSCAA’s efforts to establish a level playing field for the participation of ACDBEs.

MSCAA held a public meeting on **August 23, 2017**, where stakeholders were given an overview of both the non-car rental ACDBE program and car rental ACDBE program, and given an opportunity to comment on the goal methodologies of both. A summary of the meeting, as well as comments and the attendee list are included herein as **Appendix A**.

Breakout of Estimated Race-Neutral & Race-Conscious Participation Section 23.51

MSCAA will meet the maximum feasible portion of its overall goal by using race-neutral means of facilitating ACDBE participation. MSCAA will use the race-neutral measures listed below to increase ACDBE participation. MSCAA understands that it will be expected to actually take these steps, and this is not merely a paper exercise.

1. Locate and identify ACDBEs and other small businesses who may be interested in participating as concessionaires under 49 CFR Part 23.
2. Notify ACDBEs of concession opportunities and encouraging them to compete, when appropriate.
3. When practical, structure concession activities so as to encourage and facilitate the participation of ACDBEs.
4. Provide technical assistance to ACDBEs in overcoming limitations.
5. Ensure that competitors for concession opportunities are informed during pre-solicitation meetings about how the sponsor’s ACDBE program will affect the procurement process.
6. Provide information concerning the availability of ACDBE firms to competitors to assist them in obtaining ACDBE participation.

MSCAA proposes a race-conscious goal of **3.0%** and a race-neutral goal of **0.0%**, for a total of 3.0%. The reason for this projection is that the median amount by which MSCAA under achieved its goals over the preceding three (3) year period is 0.51%. This underachievement of goals is an indication of the need for continued race-conscious goals.

Whenever MSCAA projects that race-neutral measures, standing alone, are not sufficient to meet an overall goal, it will use the following race-conscious measures to meet the overall goal:

1. Establish concession-specific goals for particular concession opportunities;
2. Negotiate with potential concessionaires to include ACDBE participation through direct ownership arrangements or measures, in the operation of the concession; and
3. Utilize, with prior FAA approval, other methods that take a competitor's ability to provide ACDBE participation into account in awarding a concession.

In order to ensure that the ACDBE program will be narrowly tailored to overcome the effects of discrimination, if MSCAA uses concession-specific goals, it will adjust the estimated breakout of race-neutral and race-conscious participation as needed to reflect actual ACDBE participation (see 26.51(f)) and MSCAA will track and report race-neutral and race conscious participation separately. For reporting purposes, race-neutral ACDBE participation includes, but is not necessarily limited to the following: ACDBE participation through a prime contract that an ACDBE obtains through customary competitive procurement procedures, ACDBE participation through a subcontract on a prime contract that does not carry ACDBE goals; ACDBE participation on a prime contract exceeding a concession specific goal; and ACDBE participation through a subcontract from a prime contractor that did not consider a firm's ACDBE status in making the award.

MSCAA will maintain data separately on ACDBE achievements in those contracts with and without concession-specific goals, respectively.

Resources: Memphis International Airport FY 2018 - 2020 Airport Concession DBE Program Methodology (Car Rental Concessions)

Resource Documents:

1. MSCAA's 2013 disparity study, "The State of Minority-and Women-Owned Business Enterprise: Evidence from Memphis".
2. Uniform Report of ACDBE Participation.