



PRESENTATION

Rental Car Agreements in the Brave New World of Industry Consolidation

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Presentation Overview

- **Rental Car Industry Trends**
- **Designing Your Program**
- **Request for Proposal / Bid Process**
- **Concession and Lease Agreement Issues**
- **Legislative Update**
 - CA CFC Legislation
 - Part23.41 (DBE) 2011 DOT Rulemaking

Rental Car Industry Trends Impacting Concession and Lease Agreements

- **Consolidation in the rental car industry since 1996**
 - 9 individual brands to 4 dominant “brand families”
 - 4 brand families represent approx. 95% of on-airport market
 - Additional consolidation possible
 - Hertz and Avis considering acquiring Dollar Thrifty Automotive Group

Enterprise Holdings, Inc.



Avis Budget Group, Inc.



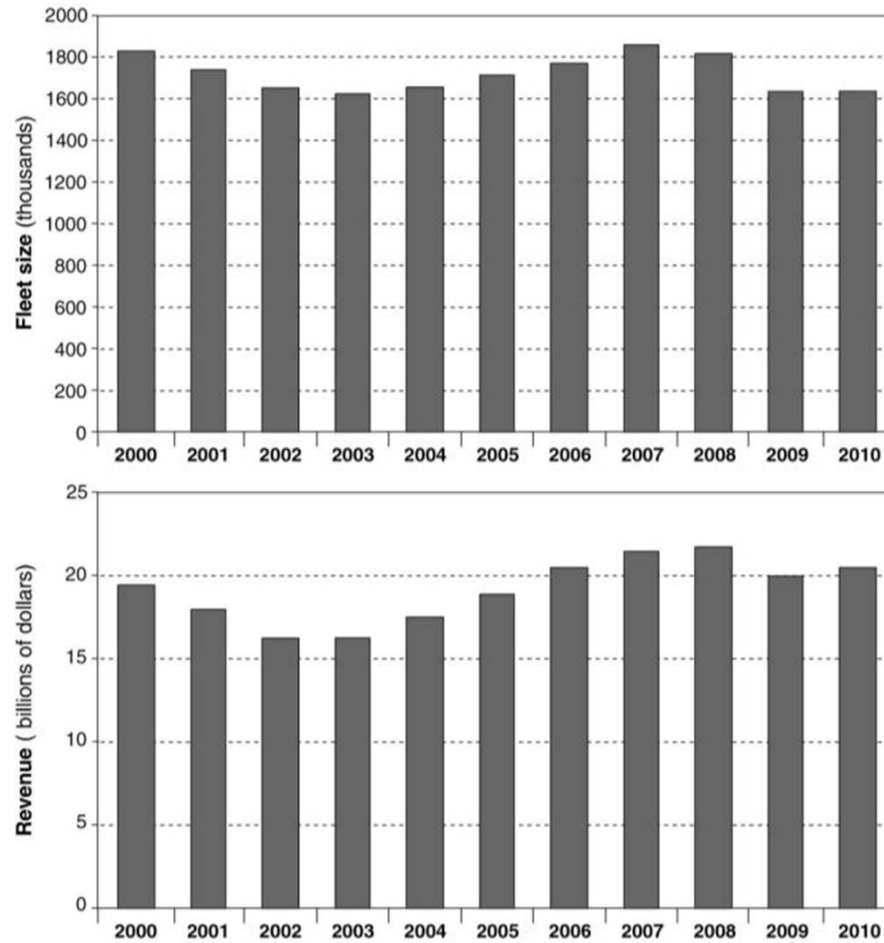
Hertz Global Holdings, Inc.



Dollar Thrifty Automotive Group, Inc.



Industry Consolidation Allows More Efficient Use of Fleet



Source: Auto Rental News, Fact Book 2011.

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Designing Your RAC Program

- **What is Your Vision**
- **How Does Your Rental Car Program Compliment / Advance Your Vision For Your Airport**
- **Airport Stakeholder Input: the opportunity to address issues, problems, opportunities**

Request for Proposal / Bid Process

■ Agreement Structure

- Concession Agreement
 - Operating right and obligations
 - Concession Fees
 - Definition of Gross Revenues
 - Customer Facility Charge (CFC)
- Lease
 - Facility allocation and obligations
 - Rents
- Additional Documents (general terms, consortium agreements, maintenance matrix, etc.)

RFP / Bid Process *(Continued)*

- **Concessionaire (Defined)**
- **WHERE IS THE MONEY?**
 - Parent Company
 - Brand
 - Single Branding
 - Dual Branding
 - Multi Branding

RFP / Bid Process *(Continued)*

- **Considerations for Determination of Brand Policies:**
 - Size and configuration of available space
 - Ease of reallocation of available space
 - On / off airport market split and operations
 - Competitive environment
 - Implications for future planning
 - Potential consequences of prohibiting, permitting or requiring single, dual or multi-branding

RFP / Bid Process *(Continued)*

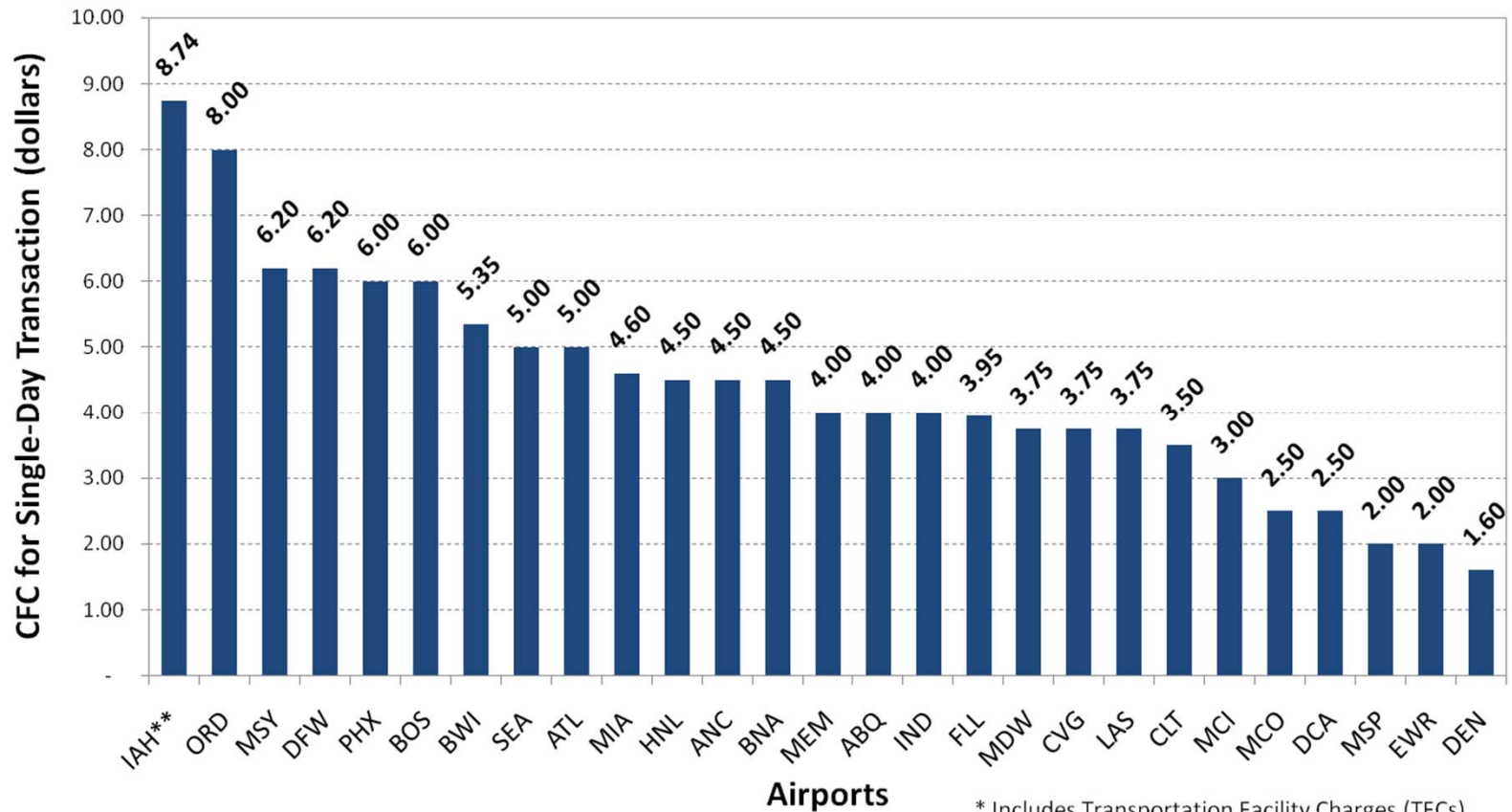
- **Non-Collusion Affidavits –
are they still relevant in this new environment?**
- **Efficacy of the “Chinese wall”**
- **Alternative Approaches**
 - “For purposes of this Affidavit, collusion shall mean illegal cooperation or conspiracy to cheat or deceive and is not the coordination that takes place between brands owned by the same company.” (language prepared and provided by Enterprise Holdings, Inc.)

Concession and Lease Agreement Issues

■ Fees and Rents

- Gross Revenues
 - All-inclusive definition – what is it, and why does it matter?
- Concession Fee
 - “gross up” permitted / yes or no
- Rents
 - Cost recovery; fair market value
- Customer Facility Charge (CFC)
 - Currently in place at over 100 U.S. Airports
 - Implementation, collection and application
- Additional (Add On) Fees
 - Airport. misc. local, or rental car fees

CFC* Level for a Single-Day Transaction: Select U.S. Airports

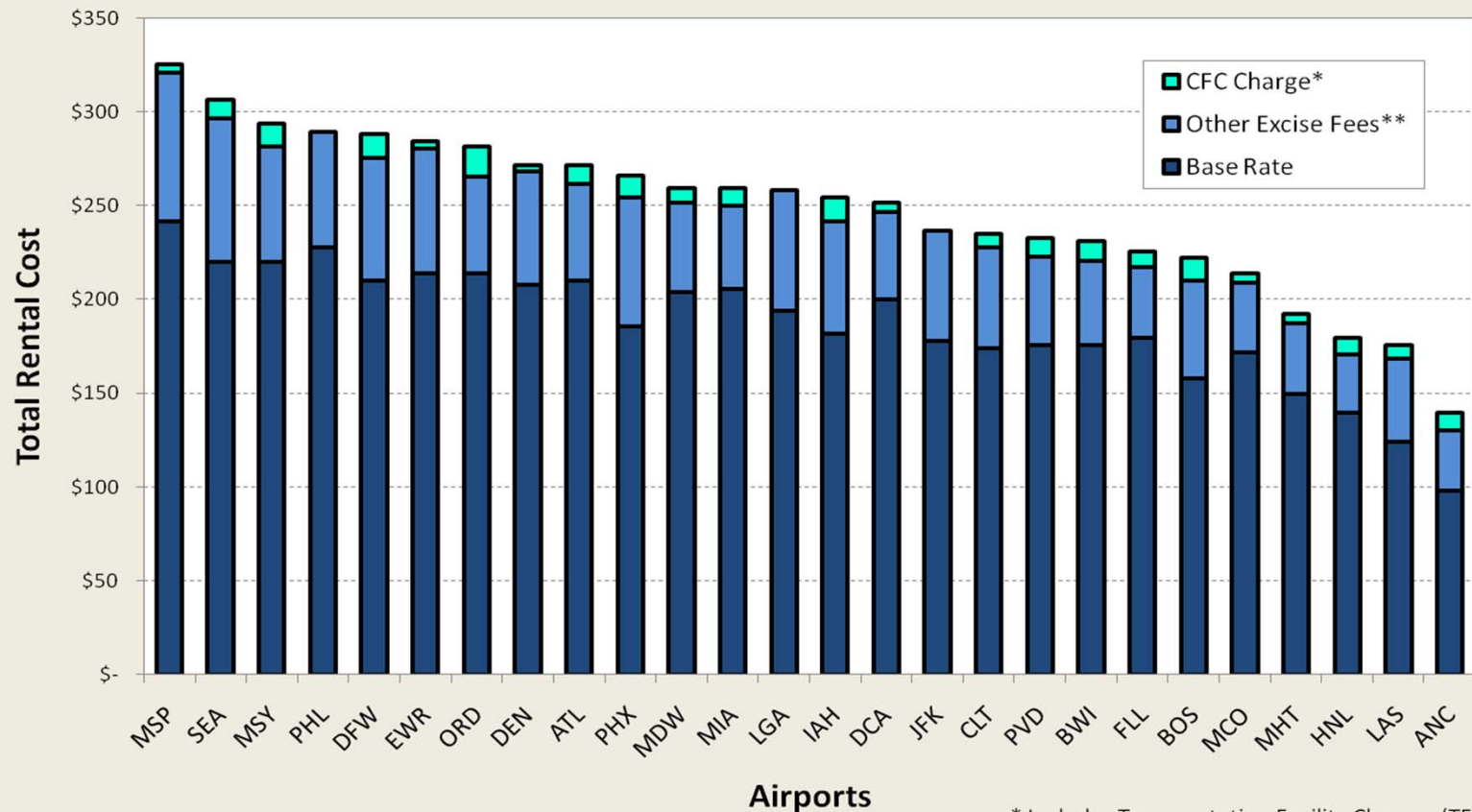


Source: Avis.com as compiled by LeighFisher for Q1 2011.

* Includes Transportation Facility Charges (TFCs).

** Includes a \$4.49 per rental TFC (nonrecurring).

Total Rental Costs and Associated Fees: Two-Day Rental of Intermediate Size Car

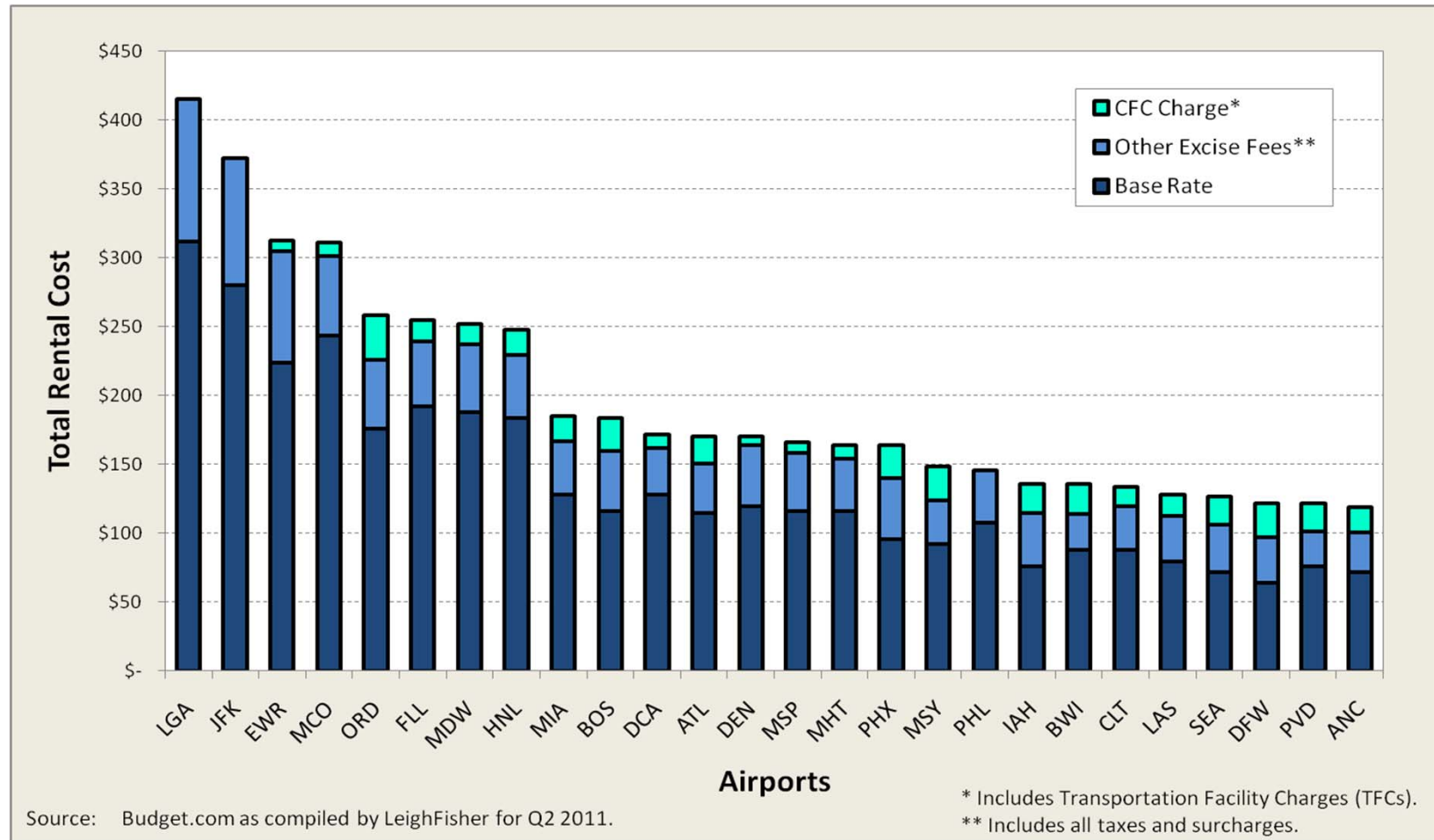


Source: Avis.com as compiled by LeighFisher for Q2 2011.

* Includes Transportation Facility Charges (TFCs).

** Includes all taxes and surcharges.

Total Rental Costs and Associated Fees: Four-Day Leisure Rental of Intermediate Size Car



Concession and Lease Agreement Issues

■ Additional Provisions and Sticky Wickets

– Audit Provision

- The fight for the General Ledger
- Would “standard audit provision” help?
- The role of fees and add on charges

– Consortium Agreements

- When are they useful
- How are they structured

Concession and Lease Agreement Issues (Continued)

■ Maintenance Funds

- A developing solution to an age old problem
- When are they useful
- How are they structured
- Example: RACs located in airport garage over two floors with adjacent quick turnaround area. Lease agreement covers most maintenance of exclusive and common use areas, but enforcement over minor issues can be difficult. Each RAC operator is required to contribute their proportionate share (by allocation of garage) into \$10,000 rolling fund Airport can use to address these issues during the term of the Lease.

Legislative Update

- **CA SB 1192 (CFC Legislation)**
- **49 CFR Part 23
(Department of Transportation Airport
Concession Disadvantaged Enterprise Program)**

CA SB 1192

- SB 1192; which amends Section 1936 of the Civil Code, relating to airports.
- Customer Facility Charge Definition
- “Customer facility charge” means any fee, including an alternative fee, required by an airport to be collected by a rental company from a renter for any of the following purposes:
 - To finance, design, and construct consolidated airport car rental facilities.
 - To finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated car rental facilities, and acquire vehicles for use in that system.
 - To finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems.

- **CFC Collection – Duration**

This bill provides an alternative method (alternate fee) for calculating a customer facility charge (CFC) based on the number of days a vehicle is rented, up to a maximum of five days, rather than a flat rate per contract, if an airport subject to the bill demonstrates the need to do so.

- **CFC Collection – End Date**

The authorization given pursuant to this section for an airport to impose a customer facility charge shall become inoperative when the bonds used for financing are paid.

- **CFC Collection – Maximum Recovery**

Commencing January 1, 2011/2014/2017, the amount of the fee may not exceed \$6.00/\$7.50/\$9.00 per day. An airport subject to this paragraph shall initiate the process for obtaining the authority to require or increase the alternative fee no later than January 1, 2018.

DBE Program Requirements for Rental Cars: 2011 DOT Rulemaking for 49 CFR Part 23

- In goal setting process, Airports are determining the extent, if any, to which the firms in their market area have suffered discrimination or its effects in connection with concession opportunities or related business opportunities.
- Airports must complete the goal-setting process separately for each of the two overall goals (Rental Cars and Other Concessions) identified in §23.41 of this part.
- In the case of a car rental goal, where it appears that all or most of the goal is likely to be met through the purchases by car rental companies of vehicles or other goods or services from DBEs, one permissible alternative is to structure the goal entirely in terms of purchases of goods and services. In this case, Airports would calculate their car rental overall goal by dividing the estimated dollar value of such purchases from DBEs by the total estimated dollar value of all purchases to be made by car rental companies.

DBE Program Requirements for Rental Cars: 2011 DOT Rulemaking *(Continued)*

- Under the new rules, car rental companies are permitted to include purchases or leases of vehicles from any vendor that is a certified DBE.
- If a car rental company chooses to meet the goal the airport has set by including purchases or leases of vehicles from an DBE vendor, they must also submit to the recipient documentation of the good faith efforts made to obtain DBE participation from other DBE providers of goods and services.
- Direct ownership arrangements may count toward the goal the airport has set for rental cars concessions.

DBE Program Requirements for Rental Cars: 2011 DOT Rulemaking *(Continued)*

- If a rental car operator has a national or regional contract, they may count a pro-rated share of the amount of that contract toward the goals of each airport covered by the contract, using the proportion of the applicable gross receipts as the basis for making this pro-rated assignment of DBE participation.
- *Example to paragraph (f):* Car Rental Company X signs a regional contract with an DBE car dealer to supply cars to all five airports in a state. The five airports each account for 20 percent of X's gross receipts in the state. Twenty percent of the value of the cars purchased through the DBE car dealer would count toward the goal of each airport.
- Note: The size standard permits an DBE car dealer to have up to 350 employees.



Questions?

Thank you for your kind attention.