

**CITY OF WICHITA**  
**WICHITA AIRPORT ADVISORY BOARD**

**Monday, February 3, 2003 - 3:00 p.m.**

Present: Tim Austin, Dion Avello, Bill Calloway, Mitch Faroh, Beth Garrison, Dorothy McKay, Don Slawson

Absent: Charles Bouilly, Michael Ledy, Dave Murfin, Jay Swanson, Carrie Williams

City Staff: Ernie Garcia

Airport Staff: Bailis Bell, Thomas Nolan, Valerie Wise and Jean Zoglman

Chairman Avello called the meeting to order.

**Approval of Minutes**

*Motion by Slawson to approve the minutes of the December 2, 2002 Wichita Advisory Board meeting. Motion carried unanimously.*

**Hearing on a Proposal for Thrifty and Enterprise Rental Car Companies to Operate as On-field Operators**

With the addition of Alamo Rental Cars to Wichita Mid-Continent Airport, an opportunity is presented to discuss the possibility of other rental car companies operating on field. Two off-field operators, Thrifty and Enterprise, have requested to operate on field. The addition of these two rental car companies would increase their payments to the Wichita Airport Authority by 2% and result in seven rental car companies operating out of the airport terminal.

Thrifty and Enterprise have off-field agreements with the Airport Authority. The agreement requires 8% of gross sales versus 10% of gross sales that on-field operators pay. However, they cannot do business in the terminal building. The off-field operator agreements are on a yearly basis. The on-field rental car concession agreements are currently on the last five-year option of a 20-year agreement and will expire on November 30, 2004.

It has been proposed that one slot would be made available for each of the two rental car agencies in the current limousine service counter. This is the first counter you would see when going into the baggage claim area. Secondly, the rental car stalls would be redistributed and each of the two operators would receive ten stalls for the first year; for the next year the stalls would be adjusted according to the formula used for the other rental car companies.

Tim Connor with Thrifty Car Rental addressed the Board. Thrifty is a franchise operator in Wichita. Thrifty is excited about becoming an on-field operator and stated that it would allow them to provide better customer service for their existing customers. It was Connor's impression that in the past the airport has struggled to attract local people to this airport because of a lack of

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low fares. Those passengers are typically more value conscious customers. It was Connor's opinion that the airport does not have a value conscious car rental company. Thrifty is known as a low-cost provider. When comparing rates, Connor stated that next Monday the daily rate is \$15 cheaper than the next closest competitor. Most of their cars are less than one year old.

Mindy Dodd, Regional Vice President with Enterprise Rent-A-Car, stated that Enterprise currently services its customers at their off-site location. If that customer base would be serviced in the terminal, it would add to their customer service satisfaction level. Dodd also believes there is a new market for value conscious customers. Other airports around the country have remodeled to accommodate Enterprise in their terminals. Dodd pointed out that space is available at Mid-Continent Airport. It has been proposed that each additional operator be leased ten stalls each for the first year of operation from the existing rental car stalls and that the second year would adjust to the normal distribution formula. Dodd urged the Board not to go below that number. Reducing that number would hurt customer service and drive up the cost of business. Dodd doubts that the proposed counter location would give Enterprise an unfair advantage over the existing rental car companies since most of their customers are business customers who have reserved a car prior to coming to the terminal building. Dodd addressed the concern that their customer traffic might disturb the traffic flow on the way to the baggage claim area. Dodd does not anticipate that Enterprise would handle that much volume of customers so as to interfere with traffic.

Mark Dziergowski, Director of Airport Operations with Enterprise, stated that seven years ago Enterprise was forced to come into the airport market in Denver. It was at that time that Enterprise made a commitment to service airports. In the past four years, Enterprise has been rated number one in customer service by J.D. Power. Dziergowski complimented the Board in its efforts to keep the market stable which helped to keep rental car revenues stable as well.

William Keogh, Director of Properties with The Hertz Corporation, addressed the Board. Keogh stated that Hertz is as competitive as any company. In response to the earlier mentioned comments that Thrifty's and Enterprise's customers are value conscious, it was his opinion that all customers are value minded. Keogh objects to Thrifty and Enterprise coming onto the airport because there is not enough room and cited lack of space in the ready-return area. Keogh feels the counter space location gives a perception that there is a competitive advantage because it is in an interceptory position as customers come into the rental car area. Keogh feels that since the current contract expires in November 2004, there is no hurry to take action on this. It was his suggestion that the space should be bid for five companies. The airport would be insured minimal annual guarantees commensurate with the rental car revenue.

Kathleen Verret, Properties Director for Avis Rent A Car, voiced concerns over Thrifty and Enterprise coming on field without the competitive bid process. It was her opinion that the airport would garner a larger minimum payment if the space were bid after the current contracts expire. This would result in companies operating on the airport that can afford it. Currently, Avis has 35% of the market and 45 ready-return spaces. On average, Avis rents 3300 cars per month and their current space is not enough for operating. Verret feels it is a disadvantage to the current on-field companies to allow two companies to come on without the benefit of a competitive bid. Verret commented that the location of the counter is an advantage to the new

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operators, and suggested if the counter space is available, it should be offered to the on-airport operators first based upon their share of the market. Avis has been highly rated several years in customer service and loyalty to customers.

Bell stated that 19 years ago the airport contracted with the five rental car agencies that had national reservation systems and expressed a desire to operate on the airport. The rental car agencies needed to build service centers on the airport and requested a long-term contract to protect their investment. The State of Kansas does not require a bid process, but Bell recommended that in the future these contracts be bid. It will be necessary to carefully consider who is allowed on and off the airport. Most airports try to accommodate as many rental car companies as possible.

Dave Denver with Budget Rent A Car commented that with Alamo joining the National brand, there are six operators on the airport. It was his opinion that the local and national economies are down and, therefore, it is not good timing for another car rental company. Denver stated that deplanements for the last five years are flat, and revenue is down 6%. From 2001 to 2002, deplanements rose 100,000 or 18%, and revenue rose 2%. Denver stated that there is not enough growth to sustain three additional car rental companies. It was his opinion that a war would result in reduced air travel, higher oil prices, reduced auto travel and car rental demand.

Denver stated that in regard to the location of the proposed counter space, he recalled when Hertz and Avis were located by the main entrance of the terminal and the other rental car agencies were in the baggage claim area. At that time it was felt that the positioning of those counters gave Hertz and Avis an advantage. Walk-in customers account for 10% of Budget's business.

Howard Steinberg, Vice President of Finance for Budget A Car, stated that the counter location gives a distinct advantage over the agencies further away. Budget operates in six markets – three are in the Midwest and three in the Southeast – Kansas City, Omaha, Wichita, Atlanta, Birmingham and Memphis. The rate environment in Wichita is more competitive than any other market Budget is in.

Bruce Werschem with Midwest Car Corporation addressed the Board. Midwest Car Corporation operates the National and Alamo brands. Werschem stated that the counter location makes a big difference. About 90% of National's business is done by reservations, leaving 10% that have not made a rental car reservation before arriving at the airport. Parking is a major issue. National has 35 stalls which is not enough to handle their volume of business.

Werschem stated that the addition of Alamo was forced on National. It was a branding issue and not a concession issue. Alamo will not be recognized as an additional participant in terms of parking selection. Werschem feels that the airport should have some concerns for its current tenants and the amount of revenues generated by those tenants.

Mike Johnson of Dollar Rent A Car addressed the Board. Johnson recalled when the terminal building was remodeled in 1989 and counter space and location was an important issue. It was

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determined at that time that no one would have an unfair advantage. Dollar opposes the addition of two more rental car companies for the same reasons as others have addressed.

It is a normal process at airports across the country to bid for the rental car concession. However, airports will do everything they can to allow as many companies on the airport that can meet their standards.

Keogh stated that Hertz regularly submits bids for the rental car concessions. Typically a minimal annual guarantee is bid and top bidder is given first choice at counter location and ready-return spaces.

Dziergowski of Enterprise commented in rebuttal that this airport has been progressive and the market is stable. He cautioned the Board not to make decisions based on an impending war. As far as the counter position is concerned, Dziergowski believes that none of the current rental car companies want that position, but if that is a problem, Enterprise would be glad to trade counter positions with one of the existing agencies. The counter position in question is five linear feet that is set to the side and does not have a luminated sign. It may be a competitive disadvantage as it is not located next to the other rental car agencies. Customers tend to go to where the mass of rental car companies is located. Enterprise is in favor of the bid process but feels there should not be a limit to the companies bidding. Dziergowski stated that these rental car companies know the maximum amount they can bid, but will not bid much more than what they are currently paying. Therefore, he doubts there would be increased revenues due to the bid process.

Tim Connor with Thrifty stated that he has watched the business traveler go from counter to counter to get the best deal. It is not about counter location, but who has the best deal. When a customer comes who does not have a reservation, he is looking for the cheapest car.

Verret with Avis stated that 15% of Avis' business is walkup. Avis rents on average about 3300 cars per month, or 110 rentals per day out of 45 spaces. If two more companies are allowed on field, Avis will lose two or three of those spaces. This will not allow Avis to operate efficiently.

Austin asked if there is an expectation in the rental car contracts that a certain number of stalls will be allocated to those companies. Bell stated there is not an expectation, but that the airport has taken care of the rental car customer on this airport. The only guarantee is the 60/40 formula, and not the total quantity of spaces. The spaces are adjusted annually based upon the previous year's market.

As off-field operators, Enterprise and Thrifty are required to pay a minimum payment established by the Airport Authority for off-field operators of \$25 per month. If they are allowed to come onto the airport, they would be treated equally financially, and be required to pay a minimum of \$2,000 per month plus 10% of their revenue.

It was Slawson's opinion that anyone has the option to leave the market if it is not profitable. Judging from the hotel industry, Slawson felt there is considerable walkup business. It was Slawson's opinion that if there are two companies wanting on field and willing to pay the going rate, they should be allowed on. The bid process can be looked at when the time comes up.

Verret with Avis requested that if Thrifty and Enterprise are allowed on the airport, that they have 35% of its allocated space, which would be 67 spaces that Avis would be entitled to. Under the proposed scenario, Avis would lose spaces.

Keogh stated that Hertz and Avis have 70% of the market but not 70% of the spaces. The addition of two more operators would make it more difficult to operate and hurt their efficiency.

It was Dziergowski's opinion that there is ample space at Mid-Continent Airport to add two more operators.

It was pointed out that there is no urgency to make a decision at this meeting. Avello suggested the Board revisit this issue prior to sending it to the City Council since there were only seven Board members present. Avello stated that it is the charter of this Board to do what is best for the airport in bringing in business and growing the economy.

Austin requested comments from the City Attorney's office on the effect this would have on the current on-field rental car companies.

*Slawson moved to vote on whether or not Enterprise and Thrifty should be allowed on the airport. Motion was seconded by Faroh. Motion failed 2-5.*

*Calloway moved to table this issue until the March WAAB meeting. Motion carried 5-2.*

The Board felt there were further issues to analyze, such as whether or not 20 spaces can be taken out of short-term parking to accommodate two more rental car companies on the airport, offering the counter location to all rental car companies, what impact this would have on the current on-field agreements, etc.

### **2002 Financial Report**

Jean Zoglman, Finance Manager for the Airport, presented the 2002 financial report. Cash balance has increased by \$2.5 million since 2001. The increase is because the airport is generating revenues faster than spending them. The restricted cash, or project cash, is in a negative position because the airport is cash flowing their own capital projects. The airport is in excellent financial condition.

### **Master Plan/Terminal Area Planning Project – Status Report**

The first meeting of the Mid-Continent Airport master plan committee is February 4. The terminal area master plan contract is within ten days of going to the City Manager's office. Price is still being negotiated.

**December 2002 Statistical/Project Report**

Total passengers increased 55.82% in December over 2001. For the year, total passengers increased 18.41% over 2001.

**Other Business**

Tom Nolan was introduced to the Board. Nolan is the new Assistant Director of Airports for the City of Wichita.

There was discussion concerning attendance at the WAAB meetings.

Meeting adjourned at 4:50 p.m.

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Valerie Wise, Clerk