CITY OF HOUSTON

Annise D. Parker
Mayor

HOUSTON AIRPORT SYSTEM

Mario C. Diaz
Director of Aviation

George Bush Intercontinental ~ William P. Hobby ~ Ellington Airport

October 22, 2014

SUBJECT: Letter of Clarification No. 5

REFERENCE: Request for Proposals (RFP) for Retail Concessions for George Bush Intercontinental Airport
Solicitation Nos. H08-IR1-2015-003; IAH Retail Package One
H08-IR2-2015-004; IAH Retail Package Two
H08-IR3-2015-005; IAH Retail Package Three

TO: All Prospective Respondents

This Letter of Clarification (LOC) is issued to (I) replace pages in the solicitation document, (II) to add an Attachment to the solicitation document, and (III) provide responses to questions received as noted:

I. Replace the following pages:

1. Please replace page 20, Proposal Outline and Minimum Content Requirements with the **"REVISED",** page 20 Proposal Outline and Minimum Content Requirements to include added **Section 5.14.**

2. Please replace **EXHIBIT XXII**, Required Proposal Submittal Check Sheet with the **EXHIBIT XXII "REVISED'**, Required Proposal Submittal Check Sheet to include added item 28.

3. Please replace **EXHIBIT XV**, Proposer Contact Directory Form with the **"REVISED" EXHIBIT XV**, Proposer Contact Directory Form.

II. Add ATTACHMENT D PASSENGER DEMOGRAPHIC IAH to the referenced solicitations.

III. To provide responses to the below questions:

1. Question: "With regard to the requirements of Clarification Letter No. 4: Are the employees currently unionized and if so, with which Union?
Note: Package #3 includes 7 locations currently operated by 3 different concessionaires, so the response may have to be location specific.
- TADF1, TBDF1, TDDF1, and TDDF2 (Nuance)
- TCSR4 and TCSR5 (World Duty Free)
- TCNR8 (Paradies)

Council Members: Brenda Stardig Jerry Davis Ellen R. Cohen Dwight A. Boykins Dave Martin Richard Nguyen Oliver Pennington Edward Gonzalez Robert Gallegos Mike Laster Larry V. Green Stephen C. Costello David W. Robinson Michael Kubosh C.O. "Brad" Bradford Jack Christie
Controller: Ronald C. Green

Supply Chain Management: PO Box 60106 77205-0106 ~ 281 230-8000 Fax 281 230-8094
www.Fly2Houston.com. ~ www.houstontx.gov

Response:

Unite Here currently represents certain concession employees at George Bush Intercontinental.

2. **Question:** Clarification Letter No. 3 dated 19th September 2014 in relation to the above referenced Retail Package 3. This has been most helpful in dealing with the issues we sought additional information on; however, one major issue still remains outstanding and unfortunately your recent Clarification Letter has (from an ARI perspective) confused us further !!

In particular, I refer to the Concession Term and the pro-forma financial analysis we need to prepare as part of our Bid and, we believe that further clarification may be required from HAS as follows: -

- Clarification Letter No. 2, dated August 21, 2014 stated "HAS intends to turn over the duty free spaces within 90 days of the new duty free concession agreement being approved by City Council which is expected to be in January 2015". This suggested a handover in April 2015, which is confirmed in Clarification Letter No. 3.

- Exhibit XXI has been corrected to indicate a Premises Availability date equals 90 days after contract execution. In the original RFP document, the Premises Availability date was specified as July 1, 2015.

- Clarification Letter No. 3, dated September 19, 2014 states
  Response to Question 43
  "Ten-year term will begin January 2016". This suggests the term will run to December 2025

Response to Question 44
"Pro-forma (Financial projections by store location) should reflect period from July 1 through June 30, commencing on July 1, 2015. These Pro-forma statements will cover the period from July 1, 2015 to June 30, 2025."
These Pro-forma statements will exclude the 3 months (approximately) from April to June 2015 and the 6 months from July to December 2025.
Clarification Letter No.3 specifies also that initial capital expenditure should be included in column year 1 per store
Clarification required
Pro-forma financial projections are required to cover 10 year period from July 1, 2015 to June 30, 2025
Response to Question 43 in Clarification Letter No. 3 specifies that 10 year term will run from January 2016 to December 2025
Exhibit XXI specifies that Premises will be available 90 days after Contract execution, which is likely to mean handover in April 2015

(i) How should trading in the period from handover to July 1, 2015 be treated in the Pro-forma financials?
(ii) How should trading in the 6 months from July to December 2025 be treated in Pro-forma financials?

Can you please consider the above and evaluate whether further clarification is required from HAS?

Response:

Sales activity prior to July 1, 2015 and after June 30, 2025 should not be considered in the proformas. The 10-year period for the proformas was chosen to ensure consistent evaluation of proposals.

3. **Question:** Exhibit XXIII- #2 Describe in detail how will your business maintain labor peace? Is this referring to a labor peace agreement between a union and employer under which one or both sides agree to waive certain rights under federal law with regards to union organizing and related activities.
Is this now a condition of doing business at the airport?
Response:
The Labor Relations Plan Form, Exhibit XXIII - #2, requires respondents to describe in detail how their businesses maintain labor peace. It does not require a labor peace agreement but the requirement may be satisfied if the respondent submits one. At this time, this is a condition of participating in the airport concession program.

4. **Question:** Future plans at IAH for International Travel – Airlines, Destinations, # of Flights, Frequency of Flights and Timing.
Response:
HAS anticipates international will continue on a growth trend (destinations, flights and passengers) at IAH.

5. **Question:** Section 5.4.1.3 – Detailed Executive Summary, All Retail Packages: Please confirm that this information is required only in connection with ACDBE certified sub concessionaires with whom the Proposer is partnering in order to meet the ACDBE participation goals.
Response:
Yes, the information is only needed from the ACDBE.

6. **Question:** Exhibit XV, Footnote 2, All Retail Packages: Please define the term "Service provider Key Personnel" as it is not defined in the Concession Agreement.
Response:
See revised Exhibit XV.

7. **Question:** In its response to question 83 of the letter of clarification no. 3 dated 19 September 2014, Houston Airport System suggested that the concession agreement "is a sample and will be modified to reflect guidelines in the RFP". Section 3.1.2.4 of the RFP provides that the prime contractor/ supplier's indemnification liability is limited to $500,000 per occurrence and excludes acts or omissions which arise due to the sole negligence of the City and others from the scope of the indemnity. There are also some minor inconsistencies between section 3.2 of the RFP and clause 10 of the concession agreement. Please confirm that clauses 10 and 13.13 of the concession agreement will be revised in due course so that they are consistent with section 3.1.2.4 and 3.2 of the RFP.
Response:
The language in the sample agreement will be negotiated with the winning proposer.

8. **Question:** In its response to question 83 of the letter of clarification no. 3 dated 19 September 2014, Houston Airport System suggested that the concession agreement "is a sample and will be modified to reflect guidelines in the RFP". There are inconsistencies between the insurance requirements stipulated in Section 3.3 of the RFP and those specified in clause 11 of the concession agreement. Please confirm that clause 11 of the concession agreement will be revised in due course so that they are consistent with section 3.3 of the RFP.
Response:
The language in the sample agreement will be negotiated with the winning proposer.

9. **Question:** Clause 17.26 of the concession agreement in respect of force majeure but does not include labor disputes. Please advise if Houston Airport System is agreeable to including labor disputes as a force majeure event which is outside of the control of the parties.
Response:
Labor disputes are excluded from the definition of force majeure.

10. **Question:** In the case that a performance bond is being put in place, the requirement is 50% of the Minimum Annual Guarantee . Can you clarify that this is the same requirement in relation to a Letter of Credit (i.e. 50% of MAG to be maintained throughout contract) ?
Response:
Yes.

11. **Question:** Please clarify where the Transition Plan should be included in the Submission document. It is not included in the check sheet nor in the proposed outline.
Response:
See revised page 20 and revised Exhibit XXII.

12. **Question:** Can you provide any marketing information on passengers going through the airport such as:
Penetration figures by nationality and by destination
Average spend figures by nationality and by destination
Breakdown of pax by Gender
Socio demographic data on pax
Information on whether they are travelling alone/family/couple, etc
Frequency of travel for various passenger segments
Purpose of travel : Leisure, Business, VFR, etc
Response:
See added Attachment D Passenger Demographics.

13. **Question:** With regard to the subdivision of the various areas (TCSR-4 and TBDF-1) can you give us an approximate timescale as to when this work will be carried out by HAS?
Response:
The subdivision of the various spaces is the responsibility of the selected proposers, not HAS.

14. **Question:** Can you confirm that the existing Kiosk in Terminal B north can be retained and remain operational until such time as the new retail outlet in this terminal is developed?
Response:
No. Trade fixtures belong to the existing operator.

15. **Question:** Terminal B - How many international passengers depart on an annual basis from the 14 gates serviced by the Terminal B North shop? What are the destinations serviced from these gates?

Response:
This information is not available.

16. **Question:** In Terminal C North please clarify if we are permitted to merchandise Duty Paid confectionery, souvenirs or Duty Paid Perfume and Cosmetics
Response:
Please refer to the concept definition provided for the space.

17. **Question:** Attachment C-2 with Letter of Clarification No. 3 contained an analysis of Passengers by Terminal. Can you provide a breakdown of the figures between the South and North sections

of each of these Terminals or by gates? This is essential information in order to understand the passenger flows relevant to the individual store units

Response:

This information is not available.

18. **Question:** Terminal B passengers show a 7% reduction in 2014 compared to 2013. What is the reason for this change? Are there any further changes which will impact on the passenger numbers for this terminal?

Response:

Terminal B was under construction to build the new T/B South terminal. During that time (2010-2013) flights were relocated to T/A North, T/D. T/B south is now full open and boasts 18 more gates than prior construction. HAS does not control United Airline's gate / flight assignments, however, further changes are not currently anticipated.

19. **Question:** Attachment B with the original RFP shows Nuance sales at Terminal B, Unit 403 falling by 37% in 2014 compared to 2013, which is much greater than the fall in passengers, down 7%. What is the reason for this fall? Were the passengers routing past that unit changed in 2014? Are there any further changes planned which will affect the passenger flow past that unit?

Response:

Terminal B was under construction to build the new T/B South terminal. During that time (2010-2013) flights were relocated to T/A North, T/D. T/B south is now full open and boasts 18 more gates than prior construction. HAS does not control United Airline's gate / flight assignments, however, further changes are not currently anticipated.

20. **Question:** Attachment B with the original RFP shows Spirit if the Red Horse sales at the bottom of the analysis, but not apparently assigned to any Terminal, unlike all other concessionaires. Are these sales generated from a number of terminals? If so can you provide sales for Spirit of the Red Horse trading from Terminal C which will be a subdivided unit? What is current area of the space currently occupied by Spirit of the Red Horse there?

Response:

No. Spirit of the Red Horse is in Terminal C only. Please see scope of work for space conceptions.

21. **Question:** In relation to section 1.23.1 (Page 33) of the RFP could you clarify what you mean by the "……proposer will be responsible for the base build outs…."
Our interpretation of this clause is that the proposer will carry out all services within the various spaces and that HAS will bring all services to the perimeter of each area under consideration. Could you kindly clarify?

Response:

The services that are available for each space are listed in "Attachment A" Scope of Work. All other services required are the responsibility of the selected proposer.

22. **Question:** If a proposer provides a letter of credit for the purposes of the performance bond/ security, please confirm whether the letter of credit can be renewed on an annual basis, as the Minimum Annual Guaranteed Sum is likely to change from year to year during the term of the concession? If so, please confirm that the concession agreement will be revised to provide that the letter of credit will also be renewable annually, as clause 11.4.1.2 of the concession agreement currently provides that an irrevocable letter of credit must be provided and kept in force for the complete term, whereas clause 11.4.1.1. provides that a surety bond can be renewed annually?

Response:

The agreement requires the surety bond to be renewed annually. No changes will be made.

23. Question: Does the language below extend to City of Houston registered lobbyists which are representing proposers? Exhibit I- Offer and Submittal states in part "PROPOSER WARRANTS THAT NO PERSON OR SELLING AGENCY HAS BEEN EMPLOYED OR RETAINED TO SOLICIT OR SECURE THIS CONTRACT UPON AN AGREEMENT OR UNDERSTANDING FOR A COMMISSION, PERCENTAGE, BROKERAGE OR CONTINGENT FEE, EXCEPTING BONA FIDE EMPLOYEES."

Response:

No. The quoted language is standard City language for all solicitations and will continue to be. Proposers are prohibited from retaining agents for the express purpose of contacting City officials regarding contracts subject to the quoted language, where such contact poses a threat of the exertion of improper influence to obtain government contracts. Proposers may hire lobbyists. Proposers are reminded that this solicitation is within the no-contact period as defined in the City's Procurement Manual. All communication regarding this solicitation must occur through the HAS Supply Chain Management Office.

When issued, Letter(s) of Clarification shall automatically become a part of the solicitation documents and shall supersede any previous specification(s) and/or provision(s) in conflict with Letter(s) of Clarification. LOC(s) will be incorporated into the Agreement(s) as applicable. It is the responsibility of the respondent(s) to ensure that it has obtained all such letter(s). By submitting a Proposal on these solicitations, respondent(s) shall be deemed to have received all LOC(s) and to have incorporated them into this proposal(s).

If further clarification is needed regarding the solicitation(s), please contact Elnora Williams, Sr. Procurement Specialist, via email (preferred method) at Elnora.Williams@houstontx.gov or via phone at (281)230-8024.

Justina J. Mann, CPPO
Chief Procurement Officer
Houston Airport System

5.5 PROPOSAL GUARANTEE

5.5.1 A certified or cashier's check for **$50,000.00** issued by a solvent bank, payable to the Houston Airport System shall be the Proposer's good faith deposit.

5.5.2 The certified or cashier's check shall be given as security to guarantee that if the Proposer's Proposal is accepted, the Proposer will furnish HAS with the required Performance Security, insurance, and signed Contract documents prior to submission of the Contract(s) for City Council consideration. Upon City Council approval of a Concession Contract, all good faith deposits will be returned to all Proposers. If the Selected Proposer(s) fail(s) to enter into the Retail Concession Contract(s) or furnish the required performance security and insurance documents, the Proposer(s)'s good faith deposit(s) may be cashed and retained by HAS.

5.6 CUSTOMER SERVICE/MANAGEMENT AND OPERATIONS PLAN

5.6.1 Proposers shall submit a customer service/management and operation plan per **ATTACHMENT A,** Scope of Work, Section 1.11.

5.6.1.1 Proposer shall submit **EXHIBIT XIV,** to support business plan proposed per **ATTACHMENT A,** Scope of Work, Section 1.11.

5.7 CONCEPT DEVELOPMENT AND MERCHANDISE MIX

5.7.1 Proposer shall submit Concept Development and Merchandise Mix per **ATTACHMENT A,** Scope of Work, Sections 1.21 and 1.22. **(EXHIBIT XIII)**

5.8 DESIGN, MATERIAL AND SUSTAINABLITY

5.8.1 Proposer shall submit physical design and construction of the proposed locations per **ATTACHMENT A,** Scope of Work, Section 1.13.

5.9 BACKGROUND AND EXPERIENCE

5.9.1 Proposer shall submit overall background and experience per **ATTACHMENT A,** Scope of Work, Section 1.14 and Experience and Qualification Statements **(EXHIBIT X).**

5.10 COMPENSATION TO CITY

5.10.1 Proposers shall propose Percentage Fee Rate(s) **(EXHIBIT III)**

5.11 FINANCIAL CAPABILITY OF PROPOSER

5.11.1 Submit your company's audited annual financial statements, in accordance with and as defined in the Financial Accounting Standards Board (FASB) regulation(s) for the past two years. In addition, include your Dunn & Bradstreet Report or Federal Tax Forms filed with the Internal Revenue Service (IRS) for the past two years.

5.12 ACDBE PLAN

5.12.1 Proposer should submit a proposed ACDBE Plan using **EXHIBIT II**, Airport Concessions Disadvantaged Business Enterprise (ACDBE) Forms.

5.13 LABOR RELATIONS PLAN

Proposer shall submit Labor Relations Plan Form **(EXHIBIT XXIII)**

5.14 TRANSITION PLAN

Proposer shall submit Transition Plan per **ATTACHMENT A,** Scope of Work, Section 1.15.

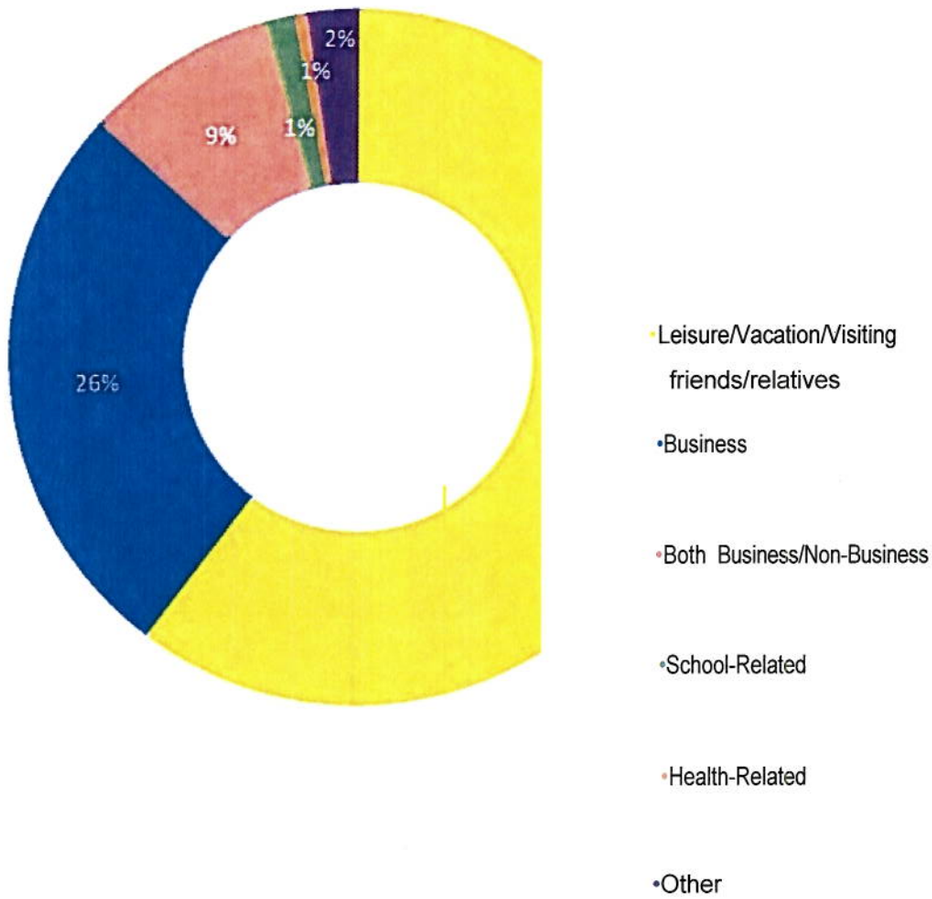
ATTACHMENT D
PASSENGER DEMOGRAPHICS IAH

Arriving Passenger Summary

Summer 2014

	Total	Terminal A	Terminal B	Terminal C	Terminal E	Terminal FIS
Average age	41	40	43	40	42	41
Gender						
Male	46%	42%	46%	49%	46%	42%
Female	54%	58%	54%	51%	54%	58%
Region of residence						
USA	75%	87%	85%	88%	81%	33%
Other countries	25%	13%	15%	12%	19%	67%
Average income	$105,370	$107,390	$87,870	$113,380	$104,880	IBS**
Average number in travel party	1.72	1.49	1.93	1.49	2.09	1.81
Average number of checked bags	1.71	1.52	1.65	1.68	1.93	1.82
Took survey in Spanish	10%	3%	1%	•	1%	45%

ATTACHMENT D
PASSENGER DEMOGRAPHICS IAH

Primary Purpose of Trip

Summer 2014