

TRANSMITTAL

0150-11120-0002

TO Deborah Flint, Chief Executive Officer Department of Airports	DATE JUN 04 2019	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

**Request to Approve the Second Amendment to a Terminal Media Operator
Concession Agreement with JCDecaux Airport, Inc. for Development of
Indoor Advertising, Sponsorship, and Emerging Media Opportunities
At the Los Angeles International Airport**

Transmitted for further processing, including Council consideration. See the
City Administrative Officer report attached.


MAYOR

Ana Guerrero

RHL:WDC: 10190133t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 29, 2019

CAO File No. 0150-11120-0002

Council File No.

Council District: 11

To: The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Communication from the Department of Airports dated May 14, 2019; referred by the Mayor for report on May 17, 2019

Subject: **SECOND AMENDMENT TO A SEVEN-YEAR TERMINAL MEDIA OPERATOR CONCESSION AGREEMENT WITH JCDECAUX AIRPORT INC. FOR DEVELOPMENT OF INDOOR ADVERTISING, SPONSORSHIP, AND EMERGING MEDIA OPPORTUNITIES AT THE LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATIONS

That the Mayor:

1. Approve the Second Amendment to Terminal Media Operator Concession Agreement LAA-8796 with JCDecaux Airport Inc. to modify the contract language to eliminate the firm's exclusive right to research, select, and implement emerging media at the Los Angeles International Airport, subject to City Attorney approval as to form and JCDecaux' compliance with the City's Standard Provisions for Contracting, including the Service Contractor Worker Retention and Living Wage Ordinances, Affirmative Action Program, Child Support Obligations Ordinance, Contractor Responsibility Program, First Source Hiring Program, and the Bidder Contributions CEC (City Ethics Commission) Form 55 provisions;
2. Authorize the Chief Executive Officer of the Los Angeles World Airports to execute the Second Amendment; and,
3. Return the Amendment to the Los Angeles World Airports for further processing, including Council consideration.

SUMMARY

Paris, France-based JCDecaux Airport Inc. (JCDecaux; contractor) is the world's largest outdoor advertising corporation. The firm was awarded, through a competitive process, the Terminal Media Operator (TMO) concession agreement in December 2013 to develop indoor advertising, sponsorships, and emerging media opportunities at the Los Angeles International Airport (LAX). The agreement is for seven years, with one three-year performance-based extension option,

expiring on December 31, 2020 (excluding the three-year extension), with estimated revenue to LAWA of \$180 million over the seven-year term.

The contract provisions require JCDecaux to (1) make annual payments to the Los Angeles World Airports (LAWA), on a guaranteed minimum or percent-of-revenue basis, whichever is greater; (2) develop opportunities for emerging media; and (3) develop, operate, and maintain the Integrated Media System (the integration of digital video, audio, text, and graphics with the goal to “engage, entertain, and inform passengers” and help “transform the traveler experience”) in the Tom Bradley International Terminal and other Department-owned media assets.

The Department is requesting approval of a Second Amendment to modify the contract language to eliminate JCDecaux’ sole right to select, implement, and maintain emerging media (i.e., digital technology-based communications, often including an interactive element) for LAX in that (1) LAWA’s own Information Technology Management Group (ITMG) can better expedite the selection and implementation of such dynamic media and (2) emerging media, while a component of the firm’s products and services, is not its core strength. JCDecaux will continue to be responsible for maintaining emerging media that has already been installed at the airport and retain the option to develop other emerging media.

The Department’s primary objective in modifying the contract language to allow its ITM Group to select and expedite the implementation of various forms of emerging media is to increase revenue by expanding the media options as well as improve the passenger experience. The proposed change does not, however, preclude JCDecaux from pursuing emerging media options for LAX on its own. Moreover, the contractor has agreed to remove its exclusive right to select, implement, and maintain emerging media from the concession agreement.

Regarding the projected revenue from the TMO concession agreement, the Department notes that, even prior to the proposed change in the selection of emerging media at LAX, revenue from the concession agreement and JCDecaux’ partnership with LAWA, has exceeded projections by 10 percent as of March 2019.

The Board of Airport Commissioners approved the Second Amendment at its meeting of May 16, 2019.

FISCAL IMPACT STATEMENT

Approval of the Second Amendment to the Terminal Media Operator concession agreement with JCDecaux Airport Inc. for the Los Angeles International Airport will have no effect on Departmental revenues or expenditures. There may be, however, a future increase in revenue to the Department resulting from expanding the emerging media options. The underlying Agreement and proposed Second Amendment comply with the Department of Airports’ adopted Financial Policies. Approval of the Second Amendment to the Terminal Media Operator Concession Agreement with JCDecaux will have no impact on the Department’s Operating or Capital Budgets or the City’s General Fund.