



County of Allegheny

Office of the Controller

PITTSBURGH INTERNATIONAL AIRPORT
REPORT ON STREET PRICING
COMPLIANCE PROCEDURES

(Non-Audit Service)

January 23, 2020

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Controller

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CHELSEA WAGNER
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January 7, 2020

Ms. Christina A. Cassotis
Chief Executive Officer
Allegheny County Airport Authority
Pittsburgh International Airport
Landside Terminal, 4th Floor Mezzanine
P.O. Box 12370
Pittsburgh, PA 15231-0370

Pittsburgh International Airport
Report on Street Pricing
Compliance Procedures

Dear Ms. Cassotis:

We performed certain procedures to assess Fraport USA's (formerly AIRMALL Pittsburgh, Inc.) compliance with the street pricing provisions contained in the Fourth Amended and Restated Master Lease, Development and Concession Agreement. When referring to the subtenants, the term AIRMALL stores will still be utilized. Our procedures included documenting the measures utilized by Fraport USA (Fraport) to enforce street pricing within the AIRMALL, as well as testing subtenant compliance with the street pricing requirements. In addition, we also tested the Sunoco gas station's compliance with the street pricing provisions contained in its agreement with the Allegheny County Airport Authority. Our procedures were performed as a non-audit service. Therefore, this engagement is not covered by *Generally Accepted Government Auditing Standards*.

Our sample included 441 items selected from 45 stores including the Sunoco gas station. Of the 441 items, we could not find or could not test 55 of the items at the agreed upon comparable locations. Of the remaining 386 items that could be tested, we found that 303 (78%) items were in compliance and 83 (22%) items were priced higher at the AIRMALL of which 46 (12%) were identical items and 37 (10%) were similar items.

Ms. Christina A. Cassotis
January 7, 2020
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The results of our procedures and our recommendations are detailed in the attached report. We would like to thank the management and staff of the Airport Authority and Fraport for their courtesy and cooperation during our engagement.

Kind regards,



Chelsa Wagner
Controller



Lori Churilla
Assistant Deputy Controller, Auditing

cc: Honorable Patrick Catena, President, County Council
Honorable Robert J. Macey, Vice-President, County Council
Honorable Rich Fitzgerald, County Executive, Allegheny County
Mr. William D. McKain, County Manager, Allegheny County
Ms. Jennifer M. Liptak, Chief of Staff, County Executive
Ms. Mary C. Soroka, Director, Budget and Finance
Mr. Ken Varhola, Chief of Staff, County Council
Ms. Sarah Roka, Budget Manager, County Council
Mr. David Minnotte, Board Chairman, Airport Authority Board
Mr. Jan Rea, Audit Committee Chair, Airport Authority Board
Mr. Eric Sprys, Chief Commercial Officer, Airport Authority
Ms. Kim Kitko, Vice-President of Business Development, Airport Authority
Ms. Kristy Jenkins, Vice-President of Finance, Airport Authority
Ms. Amy Mitkus, Vice-President of Operations, Fraport Pittsburgh

Executive Summary

Purpose of Procedures

The purpose of this engagement was to test Fraport's monitoring of prices charged to patrons of the Pittsburgh International Airport. We focused on compliance with the street pricing provisions of the concession agreements for the AIRMALL subtenants and the Sunoco gas station.

Background

The Fourth Amended and Restated Master Lease, Development and Concession Agreement (Master Lease Agreement), between Fraport USA's (formerly AIRMALL Pittsburgh, Inc.) and the Allegheny County Airport Authority (Airport Authority), established a street pricing policy to ensure that the sales prices charged to patrons of the Pittsburgh International Airport do not exceed those of comparable businesses. When referring to the subtenants, the term AIRMALL stores will still be utilized.

The street pricing provisions of the Master Lease Agreement require that the sales price of a good or service of the AIRMALL subtenants be equal to or less than the regular price of a good or service of the same business, franchise or trade name at the nearest agreed upon non-airport location.

Results in Brief

Our procedures disclosed the following:

Finding #1

We selected 441 items from 45 AIRMALL Stores, including the Sunoco gas station, and noted the following:

- A total of 39 of the 441 (9%) items selected at the AIRMALL did not contain a price tag on or near the item, and we had to request the cost of the item from a store employee.
- Of the 386 items that could be compared:
 - 303 (78%) items were in compliance,
 - 83 (22%) items were priced higher at the AIRMALL which included:
 - 46 (12%) identical items priced higher at the AIRMALL,
 - 37 (10%) similar items priced higher at the AIRMALL.
- A total of 29 (64%) out of 45 stores tested had non-compliant items.

Finding #2

- 55 (12%) of 441 items selected for testing could not be found at the comparable locations for 21 of the 45 (47%) stores tested.
 - Six stores had one item that could not be compared
 - 15 stores had more than one item that could not be compared, including one store in which none of the ten items could be compared

Executive Summary

Finding #3

- 1 store is repeatedly non-compliant with the Street Pricing Requirements. This store had non-compliant items in December 2018 Customer Service Experts, Inc. (CSE) survey and at least one of the previous five annual or follow-up Price Comparison Surveys that were performed by CSE.

Recommendations

We recommend that Fraport:

Finding #1

- Require the stores found to be non-compliant with street pricing requirements to adjust the price of the 46 identical items to reflect the current comparable street price.
- Require the stores that appear to be non-compliant to provide information on the 37 similar items to support the higher price, such as size or quality, or adjust the price to reflect the current comparable location.
- Although not required by the contract, request that the 15 AIRMALL stores with unpriced items display the cost of the items so that it is visible by consumers without the need of assistance from a store employee.

Finding #2

- Conduct a comprehensive review of the comparable locations for all AIRMALL stores. This should include research to determine if the comparable sells items similar to those sold in the AIRMALL or the same brand name / designer that is sold in the AIRMALL store. Stores outside of the AIRMALL that are selected as comparable locations should be contacted to ensure they will permit compliance testing to be done in their stores.
 - If the AIRMALL carries a range of products, and three comparable locations is not enough to get coverage for the range of products sold, consider amending the contract to allow for more than three comparable locations when necessary. Documentation should be maintained to identify which comparable location sells which type of products.
- Since many retailers offer online shopping websites, Fraport should discuss the use of online pricing as an option for certain AIRMALL stores with the Airport Authority.
- Work with the Airport Authority and the subtenants to:
 - Determine if there are better comparable locations available for stores selling items that are not carried at the current comparable locations.
 - Consider amending the contract to allow for multiple comparable locations for stores where there are other entities of the same business, franchise, or trade name due to limited availability of items in certain stores.

Executive Summary

Finding #3

- Perform more frequent follow ups with stores that have proven to be continually non-compliant.
- Work with the Airport Authority to strengthen the language of the Master Lease Agreement to include penalties for stores that are continually non-compliant with the street pricing regulations.
- Ensure continually non-compliant stores are made aware of penalties and that these penalties are enforced.

I. Introduction

The Fourth Amended and Restated Master Lease, Development and Concession Agreement (Master Lease Agreement), between Fraport USA's (formerly AIRMALL Pittsburgh, Inc.) and the Allegheny County Airport Authority (Airport Authority), established a street pricing policy to ensure that the sales prices charged to patrons of the Pittsburgh International Airport do not exceed those of comparable businesses. This contract expires December 31, 2029. When referring to the subtenants, the term AIRMALL stores will still be utilized.

The street pricing provisions of the Master Lease Agreement require that the sales price of a good or service of the AIRMALL subtenants (stores) be equal to or less than the regular price of a good or service of the same business, franchise or trade name at the nearest agreed upon non-airport location. If a good or service is not available from an entity of the same business, franchise or trade name, the price charged by the store must be within a range of the regular prices of three separate and comparable businesses. Similar street pricing provisions are included in the Sunoco gas station's lease agreement with the Airport Authority. Since the Sunoco gas station is not an AIRMALL subtenant, it is not included in the agreement with Fraport.

Fraport USA (Fraport) utilizes a local firm, Customer Service Experts, Inc. (CSE), to conduct price surveys in order to evaluate the AIRMALL subtenant compliance with the street pricing provisions of their concession agreements. The Airport Authority conducts similar periodic price checks for the Sunoco gas station to ensure compliance with its street pricing requirements.

II. Scope & Methodology

Our procedures tested Fraport's monitoring of prices charged to patrons of the Pittsburgh International Airport. We focused on compliance with the street pricing provisions of the concession agreements for the AIRMALL subtenants (stores) and the Sunoco gas station. Specifically, we:

- Gained an understanding of the procedures utilized by Fraport to monitor and enforce subtenant compliance with the street pricing requirements and examined supporting documentation maintained by Fraport.
- Compared the prices for a sample of items from the AIRMALL stores and the Sunoco gas station to the prices at agreed upon comparable locations. When applicable, the UPC code was recorded for the item. These comparisons were made from November 7, 2019 through November 21, 2019. The comparable location for the Galleria Duty Free / Duty Paid provided us with their pricing on December 18, 2019.
- Reviewed the 2018 Customer Service Experts price comparison survey and performed testing to determine if Fraport properly followed-up on the deficiencies found in the report.

We provided a draft copy of this report for comment to the Vice-President of Operations, Fraport Pittsburgh. The response begins on page 20.

III. Findings and Recommendations

Finding #1 **29 out of 45 Stores Sampled Are Non-Compliant With Street Pricing Requirements**

The Fourth Amended and Restated Master Lease, Development and Concession Agreement between the Airport Authority and Fraport includes a Street Pricing Requirement that states “Lessee and its Subtenants shall observe Street Pricing for goods and services as defined herein. The Street Price for a good or service shall be the regular price of the good or service charged at an off-Airport, comparable location.”

There is a separate agreement between the Airport Authority and the Sunoco gas station that requires the concessionaire to observe “street pricing” for goods and services. Since the Sunoco gas station is not an AIRMALL subtenant, it is not included in the agreement with Fraport. Therefore, monitoring of the street pricing requirement is the responsibility of the Airport Authority.

We intended to select a sample of 10 items from each of the 45 stores tested, including the Sunoco gas station, for a total of 450 items. During our testing, we found that Classic Shine only had one item available. Therefore, our sample size was reduced by nine to 441 items.

During our testing at the AIRMALL, we found that the price for 39 (9%) of the 441 items tested was not identified on or near the item, and we had to request the cost of the item from a store employee. When stores do not price items, it can give the appearance that pricing is subject to the employee’s discretion. We found unpriced items at 15 (33%) of the 45 stores tested.

Of these 441 items tested, we also noted the following:

- 55 (12%) items could not be found or tested at the agreed upon comparable locations (See Finding #2).
- Of the 386 items that could be tested:
 - 303 (78%) items were in compliance with the street pricing requirements,
 - 83 (22%) items were priced higher at the AIRMALL and Sunoco which consisted of:
 - 46 (12%) items priced higher at the AIRMALL and Sunoco than the identical item at a comparable location,
 - 37 (10%) items priced higher at the AIRMALL than a similar item at a comparable location.

The 83 non-compliant items are detailed in the charts on the following pages. These charts include the pricing at the time our testing was performed, using the full ticketed price of the item at both the AIRMALL store, Sunoco, and comparable store location.

III. Findings and Recommendations

Non-Compliant Identical Items (46 items):

Store	Item	AIRMALL Price	Street Price	Difference	% Overcharged
Black & Gold	NHL Licensed Pittsburgh Penguins Black Hockey Puck (Iceburgh is in the Center)	\$7.99	\$6.50	\$1.49	23%
Brookstone	Google Home Hub - White	\$149.99	\$129.00	\$20.99	16%
	Google Home - White	\$129.99	\$99.00	\$30.99	31%
	Sony Wired Stereo Headphones w/ Mic	\$31.99	\$19.99	\$12.00	60%
	Wicked Audio Mic xTrack Control headphones (Green & black) 900cc	\$24.99	\$19.99	\$5.00	25%
	Philips Norelco 2100 Cordless Power Razor	\$59.99	\$49.99	\$10.00	20%
The Candy Shoppe	Razzles 1.4oz	\$3.29	\$1.35	\$1.94	144%
	Whatchamacallit 2.6oz	\$3.75	\$1.25	\$2.50	200%
	Warheads Extreme Sour 2oz	\$3.00	\$1.95	\$1.05	54%
	Candy House Buttons Candy Buttons Classic 2 sheets 0.5oz	\$2.50	\$1.95	\$0.55	28%
Chick-fil-A	Grilled Market Salad	\$10.75	\$9.09	\$1.66	18%
	Chocolate Chunk Cookie	\$1.75	\$1.45	\$0.30	21%
Dunkin' Donuts	Original Blend - Medium Roast	\$9.32	\$8.99	\$0.33	4%
The Galleria Duty Free / Duty Paid	Bulleit Bourbon Frontier Whiskey 1000mL	\$43.50	\$40.50	\$3.00	7%
	White Walker by Johnnie Walker - Blended Scotch Whiskey. Game of Thrones Limited Edition Color Changing Bottle	\$51.00	\$49.99	\$1.01	2%
	Newport box 200 class A Cigarettes	\$59.00	\$55.00	\$4.00	7%
GNC	GNC Women's Prenatal Gummy Raspberry Lemonade 90 Gummies	\$12.99	\$9.99	\$3.00	30%
Hudson News	Combos Cheddar Cheese 6.3oz	\$3.19	\$2.99	\$0.20	7%
	Haribo Gold-Bears 5oz Share Size	\$2.99	\$2.09	\$0.90	43%
	Lay's Classic Chips 2 1/2oz	\$1.99	\$1.89	\$0.10	5%
	Monster Energy Zero Ultra 16 fl oz	\$3.04	\$2.99	\$0.05	2%
	Children's Tylenol Pain and Fever 4 fl oz Cherry Flavor	\$12.50	\$8.29	\$4.21	51%
	Neosporin Original Ointment 0.5oz	\$8.99	\$8.29	\$0.70	8%

III. Findings and Recommendations

Non-Compliant Identical Items (con't.)

Store	Item	AIRMALL Price	Street Price	Difference	% Overcharged
InMotion Entertainment	Apple AirPods with Charging Case - White	\$199.99	\$159.99	\$40.00	25%
	Microsoft Surface Arc Mouse - White	\$89.99	\$79.99	\$10.00	13%
	Pop Socket - Black	\$11.99	\$9.99	\$2.00	20%
	Fitbit Ionic - Black	\$249.99	\$249.95	\$0.04	0%
McDonald's	2 Grilled Snack Wraps Meal	\$6.69	\$6.59	\$0.10	2%
Perfectly Plane Fun	Faber-Castell Grip Color Markers (10 pack)	\$4.99	\$3.95	\$1.04	26%
	Winnie the Pooh Disney Baby Plush	\$15.99	\$15.95	\$0.04	0%
	Unicorn Poop 1.23oz	\$5.49	\$4.99	\$0.50	10%
Primanti Brothers	Ragin Cajun Chicken & Cheese Sandwich	\$7.69	\$7.29	\$0.40	5%
	House Side Salad	\$4.99	\$3.99	\$1.00	25%
	Crispy Zucchini Planks	\$6.99	\$6.29	\$0.70	11%
Rite Aid	Arizona Green Tea w/ Ginseng and Honey 23fl oz can	\$1.00	\$0.99	\$0.01	1%
Sole Mates	Stance Crew Socks - Star Wars "Warped Bobba"	\$23.00	\$18.00	\$5.00	28%
Starbucks	Peppermint Hot Chocolate - Tall	\$3.95	\$3.45	\$0.50	14%
Sunoco	Fountain Drink Medium 32 oz	\$1.39	\$0.99	\$0.40	40%
TGI Friday's	Stella Artois 23 fl oz draft	\$7.79	\$7.59	\$0.20	3%
The Pittsburgh Exchange	Card with shadow of girl flying away with a bike (all black design)	\$5.00	\$4.50	\$0.50	11%
	Gold Peak Sweet Tea 18.5 fl oz	\$2.69	\$1.99	\$0.70	35%
	Minute Made Orange Juice 12 fl oz	\$3.49	\$1.99	\$1.50	75%
TRNA - Steel City News	Twizzlers 7oz	\$3.29	\$2.49	\$0.80	32%
	Orange Vanilla Bottle Coke 20oz	\$2.24	\$2.09	\$0.15	7%
	Planters Nuts & Chocolate Trail Mix 6oz	\$5.29	\$3.69	\$1.60	43%
	Cheez-it 3oz	\$2.29	\$1.79	\$0.50	28%

III. Findings and Recommendations

Non-Compliant Similar Items (37 items):

Store	Item	AIRMALL Price	Street Price	Difference	% Overpriced
Baggallini	Avenue Tote - Color: Pacific	\$119.95	\$118.00	\$1.95	2%
	All Day Backpack with Phone Wristlet - Color: Dark Umber	\$98.00	\$89.99	\$8.01	9%
	Everyday Traveler Bagg - Color: Grape Jelly	\$78.00	\$68.00	\$10.00	15%
	Phone Crossbody - Color: Sterling Shimmer	\$29.95	\$28.00	\$1.95	7%
	Pill Case - Color: Black	\$30.00	\$25.00	\$5.00	20%
Black & Gold	Amino - Licensed Pirates Bottle Opener Key Ring. Silver w/ Yellow "P" in Black Circle	\$7.99	\$4.00	\$3.99	100%
Brookstone	Belkin 6'6" Lighting to USB cable	\$37.99	\$25.99	\$12.00	46%
	Disney iHome Wired Mickey Mouse Headphones	\$31.99	\$29.99	\$2.00	7%
	Belkin USB-C + USB-A Home Charger (wall outlet)	\$49.99	\$44.99	\$5.00	11%
	myCharge Portable Charger - HubTurbo 6700	\$99.99	\$79.99	\$20.00	25%
Buford's Kitchen	The Burgh Mule	\$10.50	\$8.00	\$2.50	31%
	Dark & Stormy	\$12.00	\$8.00	\$4.00	50%
The Candy Shoppe	Loose Peach Rings - Self Serve 1lb	\$16.00	\$9.95	\$6.05	61%
	Original Bazooka Bubble Gum 4oz	\$3.99	\$2.36	\$1.63	69%
	Loose Assorted Salt Water Taffy - Self Serve 1lb	\$16.00	\$5.49	\$10.51	191%
Dunkin' Donuts	Maple Sugar Bacon Extra Bacon with Seasoning	\$4.99	\$4.69	\$0.30	6%
Farm Fresh Deli	Chicken Noodle Soup 10oz	\$4.59	\$4.25	\$0.34	8%
	Tuna Salad Deli Sandwich	\$8.79	\$7.75	\$1.04	13%
Green Beans Coffee	Brewed Iced Tea: 32oz (2)	\$3.95	\$3.35	\$0.60	18%
Hudson Gifts (Concourse A)	New Era Steelers Pink & Grey Knit Pom Hat w/ Cancer Awareness Ribbon & Steelers logos	\$31.99	\$29.99	\$2.00	7%
	47 Steelers Men's Black Strapback Hat with Yellow Brim - Steelers Logo / AFC Divisional Logo on Side	\$34.99	\$31.99	\$3.00	9%

III. Findings and Recommendations

Non-Compliant Similar Items (con't.)

Store	Item	AIRMALL Price	Street Price	Difference	% Overpriced
Hudson News	Wicked Audio Headphones Mic x Track control	\$19.99	\$12.99	\$7.00	54%
	Kind Fruit & Nut Snack Bar 1.4oz	\$3.69	\$2.39	\$1.30	54%
Marathon Diner	Make Your Own Burger - Served w/ Fresh Cut Fries or Cole Slaw	\$12.95	\$9.99	\$2.96	30%
Martini	Josh Sauvignon Red Wine 5oz	\$12.00	\$11.00	\$1.00	9%
The Pittsburgh Exchange	Copper Butterfly Suncatcher	\$30.00	\$20.00	\$10.00	50%
	Audra Metal West End Bridge Ornament	\$19.99	\$15.00	\$4.99	33%
Primanti Brothers	Yuengling Draft - 18oz (1)	\$6.29	\$4.50	\$1.79	40%
	Southwest Black Bean Burger	\$8.99	\$8.79	\$0.20	2%
Sole Mates	Foot Traffic Women's Socks - Crazy Cat Lady	\$15.00	\$8.00	\$7.00	88%
	Foot Traffic Men's Socks - Taco	\$15.00	\$12.00	\$3.00	25%
The Strip Market	Schneider's Bottle 2% Milk 16fl oz	\$2.50	\$1.35	\$1.15	85%
	Chocolate Chip Scone	\$2.99	\$2.79	\$0.20	7%
	English Muffin w/ Egg & Cheese	\$4.99	\$3.89	\$1.10	28%
	Bagel w/ Sausage, Egg & Cheese	\$4.99	\$4.89	\$0.10	2%
Timeless Travel	Coach Men's black leather belt with "C" Logo and silver buckle	\$198.00	\$175.00	\$23.00	13%
TRNA - Steel City Gifts	WinCraft Pirate Glitter License Plate with Yellow "P" Logo	\$27.99	\$10.99	\$17.00	155%
<p>(1) This item was compared to a 16 fl. oz. Yuengling draft for \$4.00 at another Primanti Brothers location. We extrapolated the street price at the comparable location to the price for an 18 fl. oz. draft and used the extrapolated price to calculate the difference.</p>					
<p>(2) This item was compared to a 31 fl. oz. brewed iced tea for \$3.25 at a Starbucks location. We extrapolated the street price at the comparable location to the price for a 32 oz. tea and used the extrapolated price to calculate the difference.</p>					

III. Findings and Recommendations

RECOMMENDATIONS

We recommend that Fraport:

- Require the stores found to be non-compliant with street pricing requirements to adjust the price of the 46 identical items to reflect the current comparable street price.
- Require the stores that appear to be non-compliant to provide information on the 37 similar items to support the higher price, such as size or quality, or adjust the price to reflect the current comparable location.
- Although not required by the contract, request that the 15 AIRMALL stores with unpriced items display the cost of the items so that it is visible by consumers without the need of assistance from a store employee.

III. Findings and Recommendations

Finding #2

Products from 21 out of 45 Stores Sampled Could Not be Found or Tested at a Comparable Location

The Fourth Amended and Restated Master Lease, Development and Concession Agreement between the Airport Authority and Fraport includes a Street Pricing Requirement that states “Lessee and its Subtenants shall observe Street Pricing for goods and services as defined herein. The Street Price for a good or service shall be the regular price of the good or service charged at an off-Airport, comparable location, determined as follows.”

1. If an entity of the same business, franchise or trade name as a Subtenant operates in a non-Airport location, within a reasonable geographic radius from the Airport, the Street Price shall be the price of the good or service at the nearest agreed non-Airport location. A reasonable geographic radius shall be, the Authority of Allegheny, followed by the Counties of Beaver, Butler, Washington, and Westmoreland Counties in no particular order.
2. If an entity of the same business, franchise or trade name as a Subtenant does not operate within a reasonable geographic radius, the Street Price shall be the regular price of the good or service at the nearest agreed entity of the same business, franchise or trade name.
3. If a good or service is not available from an entity of the same business, franchise or trade name as stated above, the Street Price shall be within a range of the regular prices of three separate businesses, of comparable nature, ambiance and product and service lines, within a reasonable geographic radius as defined above.
4. If the Subtenant is a franchisee or retail outlet of an entity with a national pricing structure which is identical for all franchisees or outlets, the Street Price shall be the same.

The Agreement also states that where an identical good or service, including food, beverages, and liquor, is not available at the agreed comparable location, any difference in size or quality shall constitute a price differential.

We intended to select a sample of 10 items from each of the 45 stores tested, including the Sunoco gas station, for a total of 450 items. During our testing, we found that Classic Shine only had one item available. Therefore, our sample size was reduced by nine to 441 items.

- 55 (12%) items from 21 stores could not be found at the agreed upon comparable locations.
 - Six stores had one item that could not be compared
 - 15 stores had more than one item that could not be compared, including one store in which none of the ten items could be compared

III. Findings and Recommendations

The 21 stores with products that could not be found at a comparable location are listed on below. We've separated the stores into those with exact comparable locations, and those with a range of similar comparable locations.

Stores with One Exact Comparable Location			
	Store	Number of Items Without Comparables	Reason
1	7-Eleven	1 out of 10	The comparable location did not carry the same or similar items sampled at the AIRMALL.
2	Auntie-Anne's	1 out of 10	The comparable location does not carry the item sampled at the AIRMALL because it is an AIRMALL Special.
3	ECCO	4 out of 10	The comparable location did not carry the same or similar items sampled at the AIRMALL. Auditors reached out to the manager of the ECCO comparable to receive this information.
4	The Galleria Duty Free / Duty Paid	3 out of 10	The comparable location did not carry the same or similar items sampled at the AIRMALL.
5	Johnston & Murphy	3 out of 10	Auditors sampled both women and men's clothing at the AIRMALL. The comparable location does not carry women's clothing or men's jeans. Per discussion with the comparable location employee, they do not carry items similar to the sampled jacket.
6	McDonald's	3 out of 10	The comparable location carries the three items at a promotional price. Per discussion with the comparable location's general manager, value of items at regular price could not be retrieved.
7	SportZburg	3 out of 10	Per discussion with the comparable location employee, items that sell better at the AIRMALL are removed from the comparable location and sent to the AIRMALL. The items tested are considered favorable at the AIRMALL.
8	Starbucks	1 out of 10	The comparable location does not carry merchandise.
9	Tumi	3 out of 10	The comparable location did not carry the same or similar items sampled at the AIRMALL.
		22 out of 90 (24%)	Stores with Exact Comparable Location

III. Findings and Recommendations

Stores with One or More Similar Locations			
	Store	Number of Items Without Comparables	Reason
1	Baggalini	2 out of 10	The comparable locations did not carry the same or similar items sampled at the AIRMALL.
2	Black & Gold	1 out of 10	The comparable locations did not carry the same or similar items sampled at the AIRMALL.
3	Brookstone	1 out of 10	The comparable locations did not carry the same or similar items sampled at the AIRMALL.
4	The Candy Shoppe	3 out of 10	The comparable locations did not carry the same or similar items sampled at the AIRMALL.
5	Hudson Gifts (Concourse A)	6 out of 10	The comparable locations did not carry the same or similar items sampled at the AIRMALL.
6	Martini	2 out of 10	The comparable locations did not carry the same or similar food item sampled at the AIRMALL.
7	Perfectly Plane	1 out of 10	The comparable locations did not carry the same or similar quantity of the item sampled at the AIRMALL.
8	The Pittsburgh Exchange	3 out of 10	The comparable locations did not carry the same or similar items sampled at the AIRMALL.
9	Timeless Travel	8 out of 10	Per a store executive at Henne Jewelers and the store manager at Jared, the comparable locations do not carry similar items or brands to those tested at the AIRMALL. Macy's does not carry similar items sampled at the AIRMALL.
10	TRNA - Steel City Gifts	2 out of 10	The comparable locations did not carry the same or similar items sampled at the AIRMALL.
11	TRNA - Steel City News	2 out of 10	The comparable locations did not carry the same or similar items sampled at the AIRMALL. The Comparable locations do not sell Esquire magazine.
12	Wigle Whiskey	2 out of 10	The comparable locations do not sell breakfast. Also, the comparable locations did not carry the same or an item similar to the item sampled at the AIRMALL.
		33 out of 120 (28%)	Stores with Similar Comparable Locations

III. Findings and Recommendations

Because the Street Pricing requirement in the Agreement allows for a price differential for any difference in size or quality when an identical good or service, including food, beverages, and liquor, is not available at the agreed comparable location, it is difficult to determine the stores' compliance when identical items cannot be located at the agreed upon comparable location.

During our testing at the comparable locations, we noted several specific issues regarding the comparable stores selected by the AIRMALL stores and Fraport.

- Sole Mates sells novelty socks and basic travel essentials. It uses Glassworks and Cheeks, which sells lingerie/sleepwear and home products as a comparable. The comparable store did not carry many of the items sold in the AIRMALL. We only found one of the ten items sampled at this comparable.
- Lovett Sundries, a comparable for The Pittsburgh Exchange, only carries their own brand of body, face, hair, and home products while the Pittsburgh Exchange sells local gifts and food. We could not find any of our ten sample items at this comparable.
- Baggallini sells their own brand of bags. Macy's in Ross Park is used as a comparable; however, it does not sell any Baggallini products in the store.
- The Candy Shoppe sells bulk candy. One of the comparable locations, Mon Aimee Chocolat only specializes in gourmet chocolates and sweets. We could not find any of our ten sample items at this comparable.
- Timeless Travel sell luxury watches and accessories such as purses, belts, jewelry, etc. Two of the comparable locations, Jared in Robinson and Henne Jewlers did not carry the designers, or any items similar to those sampled at the AIRMALL. We could not find any of our ten sample items at these comparable locations.
- Johnston & Murphy in the AIRMALL carries men's and women's clothing. However, the comparable Johnston and Murphy in South Hills Village does not sell women's clothing.
- The Starbucks in the AIRMALL sells merchandise such as coffee mugs. However, the selected comparable location in Robinson Town Center does not sell merchandise. There is another Starbucks close to the comparable location that does sell merchandise.
- Each AIRMALL store is permitted to select their own comparable store and the specific location of that store (e.g. Macy's in Ross Park Mall). We noted several instances where AIRMALL stores use the same comparable store, but in a different location, without explaining why that specific location was selected.

III. Findings and Recommendations

- Starbucks uses Starbucks in Robinson Towne Center while Green Beans Coffee and Farm Fresh Deli use Starbucks in Sewickley
- Timeless Travel uses Macy's in Robinson Mall while Baggallini, Black & Gold, and TRNA – Steel City Gifts use Macy's in Ross Park Mall
- The Pittsburgh Exchange and TRNA – Steel City News use Sunoco at the Airport while Sunoco uses Sunoco in Mt. Lebanon
- InMotion uses Target in Robinson while Brookstone uses Target on McKnight Road

RECOMMENDATIONS

We recommend that Fraport:

- Conduct a comprehensive review of the comparable locations for all AIRMALL stores. This should include research to determine if the comparable sells items similar to those sold in the AIRMALL or the same brand name / designer that is sold in the AIRMALL store. Stores outside of the AIRMALL that are selected as comparable locations should be contacted to ensure they will permit compliance testing to be done in their stores.
 - If the AIRMALL carries a range of products, and three comparable locations is not enough to get coverage for the range of products sold, consider amending the contract to allow for more than three comparable locations when necessary. Documentation should be maintained to identify which comparable location sells which type of products.
- Since many retailers offer online shopping websites, Fraport should discuss the use of online pricing as an option for certain AIRMALL stores with the Airport Authority.
- Work with the Airport Authority and the subtenants to:
 - Determine if there are better comparable locations available for stores selling items that are not carried at the current comparable locations.
 - Consider amending the contract to allow for multiple comparable locations for stores where there are other entities of the same business, franchise, or trade name due to limited availability of items in certain stores.

III. Findings and Recommendations

Finding #3

One Store is Repeatedly Non-Compliant With Street Pricing Requirements

Customer Service Experts, Inc. (CSE) evaluates the pricing of the AIRMALL stores each December and prepares a report containing the results referred to as a Price Comparison Survey (PCS). If a store is non-compliant in the December Survey, CSE will perform an interim PCS the following year. The Airport Authority also requests that the Controller’s Office perform procedures to test the Street Pricing requirement for stores at the AIRMALL on an annual basis. Prior to December 2017, Customer Service Consultants (CSC) conducted the surveys for Fraport.

We identified all of the current stores with non-compliant items in the December 2018 CSE Survey, then reviewed the December 2017 and 2016, and the Spring 2019, 2018 and 2017 surveys (Interim Reports) to determine if any of the stores also had non-compliant items in any of those surveys. If they did, we added the store on the chart below and noted the number of non-compliant items in each of the reports, including the Controller’s Office report for the applicable year. If the store was non-compliant in the December 2018 survey and any of the other five surveys, they are noted below. However, if the store has closed, they are not included in the chart.

AIRMALL Store	Year	CSC/CSE December Comparison Non-Compliant Items	%	CSC/CSE Interim Report Non-Compliant Items	%	Controller’s Office Comparison Non-Compliant Items	%
Farm Fresh Deli	2018/2019	5 of 30	17%	0 of 26	0%	2 of 10	20%
Farm Fresh Deli	2017/2018	12 of 29	17%	0 of 30	0%	3 of 9	33%
Farm Fresh Deli	2016/2017	Not Open		0 of 20	0%	0 of 10	0%

RECOMMENDATIONS

We recommend that Fraport:

- Perform more frequent follow ups with stores that have proven to be continually non-compliant.
- Work with the Airport Authority to strengthen the language of the Master Lease Agreement to include penalties for stores that are continually non-compliant with the street pricing regulations.
- Ensure continually non-compliant stores are made aware of penalties and that these penalties are enforced.



January 20, 2020

Ms. Chelsa Wagner, Controller
Office of the Controller
104 Courthouse
436 Grant Street
Pittsburgh, PA 15219

Dear Ms. Wagner:

Fraport Pittsburgh, as the developer/manager of the concessions program at Pittsburgh International Airport, as contracted by the Allegheny County Airport Authority, are in receipt of the Draft Report on Street Pricing Compliance Procedures dated January 14, 2020.

Contained within the report are your office's recommendations to Fraport Pittsburgh regarding implementation, monitoring, and compliance measures of the Street Pricing Program at PIT. This letter serves to offer Fraport Pittsburgh's (FPP) responses to these recommendations.

Finding #1 recommendations

- *Require the stores found to be non-compliant with street pricing to adjust the price of the 46 identical items to reflect the current comparable street price. **FPP – all 46 items will be in compliance by January 24th.***
- *Require that the stores that appear to be non-compliant to provide information on the 37 similar items to support the higher price such as size or quantity, or adjust the price to reflect the current comparable location. **FPP – all locations will provide proof of price change, or provide justification for higher price, by January 24th, to be reviewed/verified by FPP by February 4th.***
- *Although not required by the contract, request that the 15 AIRMALL stores with unpriced items display the cost of the items so that it is visible by consumers without the need of assistance from a store employee. **FPP - will ensure all locations display clear pricing, in some instances with signage/shelf talkers (high-velocity items, ie candy bars) and in other instances with individual stickers/tags on the items (ie, handbags.) Target completion date is April 1st. However, for bar locations, it is a widely-accepted industry practice to not include pricing for specialty drinks on the menus, due to variations/options in liquors (ie, Tito's versus "well") and so FPP respectfully recommends this category be exempt from this pricing display initiative.***

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Finding #2 recommendations

- *Conduct a comprehensive review of the comparable locations for all AIRMALL stores. This should include research to determine if the comparable sells items similar to those sold in the AIRMALL or the same brand name/designer... Stores outside of the AIRMALL that are selected as comparable locations should be contacted to ensure they will permit compliance testing to be done in their stores.* **FPP – we will conduct this review, with the additional goals of consolidating same store types (ie, Macy’s) to one location, and ensuring the comparable locations are open for business. Regarding permission, we have not encountered difficulty in obtaining cooperation from comparison locations, and strongly suggest that an FPP manager accompany the County auditors.**
 - *If the AIRMALL carries a range of products, and three comparable locations is not enough to get coverage for the range of products sold, consider amending the contract to allow for more than three comparable locations when necessary. Documentation should be maintained to identify which comparable location sells which type of products.* **FPP – we will consider this option on a case-by-case basis in the rare instances where the product selection is not available within three locations, and seek ACAA approval for same.**
- *Since many retailers offer online shopping websites, Fraport should discuss the use of online pricing as an option for certain AIRMALL stores within the Airport Authority.* **FPP – we wholeheartedly agree with this recommendation, and will seek ACAA approval on the specific locations who wish to make this change, to be in effect for the July 2020 round of audits conducted by FPP. List to be submitted to ACAA for approval by February 14th, 2020.**
- *Work with the Airport Authority and the subtenants to:*
 - *Determine if there are better comparable locations available for stores selling items that are not carried at the current comparable locations.*
 - *Consider amending the contract to allow for multiple comparable locations for stores where there are other entities of the same business, franchise or trade name due to limited availability of items in certain stores.***FPP – we will explore this, and are hopeful that a thorough investigation of comparable locations, with assumed resulting proposed changes to some, will mean that adding additional will not be necessary. We are prepared to seek approval for one-offs for instances of true need, as a functional solution.**

Finding #3 recommendations

- *Perform more frequent follow ups with stores that have proven to be continually non-compliant.* **FPP – will self spot-check items known to have been non-compliant and will engage our auditing vendor to perform intermediate audits of “repeat offenders” between the regularly-scheduled audit periods.**



- *Work with the Airport Authority to strengthen the language of the Master Lease Agreement to include penalties for stores that are continually non-compliant with the street pricing regulations. **FPP – We believe the Master Lease language in this area is broad enough to allow for additional language to be added to the tenant subleases that can accomplish this without need to amend the Master Lease. Will send sample language for approval to ACAA no later than February 14th, 2020.***
- *Ensure continually non-compliant stores are made aware of penalties and that these penalties are enforced. **FPP- agreed.***

We appreciate the continued partnership in ensuring that the spirit and letter of the Street Pricing Policy is upheld for the PIT community.

Please reach out with any additional questions or concerns.

Regards,

Amy M. Miktus

Amy M. Miktus
Vice President, Fraport Pittsburgh

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