



# County of Allegheny

## Office of the Controller

PITTSBURGH INTERNATIONAL AIRPORT  
REPORT ON STREET PRICING  
COMPLIANCE PROCEDURES

*(Non-Audit Service)*

January 23, 2017

**Chelsa Wagner**  
Controller

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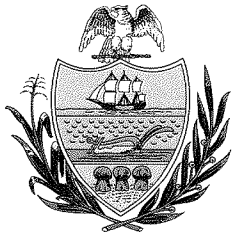
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**CHELSEA WAGNER**  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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December 21, 2016

Ms. Christina A. Cassotis  
Chief Executive Officer  
Allegheny County Airport Authority  
Pittsburgh International Airport  
Landside Terminal, 4<sup>th</sup> 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 AIRMALL Pittsburgh, Inc.'s (AIRMALL Pittsburgh) compliance with the street pricing provisions contained in the Fourth Amended and Restated Master Lease, Development and Concession Agreement. Our procedures included documenting the measures utilized by AIRMALL Pittsburgh 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 245 items selected from 35 stores including the Sunoco gas station. Of the 245 items, we could not find 42 of the items at the agreed upon comparable locations. Of the remaining 203 items that could be tested, we found that 175 (86%) items were in compliance, 22 (11%) identical items were priced higher at the airmall, and 6 (3%) similar items were priced higher at the airmall. Our procedures did not identify any noncompliance with the street pricing requirements at the Sunoco gas station.

Ms. Christina A. Cassotis  
December 21, 2016  
Page 2

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 AIRMALL Pittsburgh for their courtesy and cooperation during our engagement.

Kind regards,

A handwritten signature in cursive script, appearing to read "Chelsa Wagner".

Chelsa Wagner  
Controller

A handwritten signature in cursive script, appearing to read "Lori Churilla".

Lori Churilla  
Assistant Deputy Controller, Auditing

cc: Honorable John DeFazio, President, County Council  
Honorable Nicholas Futules, Vice-President, County Council  
Honorable Rich Fitzgerald, Allegheny County Executive  
Mr. William McKain, County Manager, Allegheny County  
Ms. Jennifer Liptak, Chief of Staff, County Executive  
Ms. Mary Soroka, Director of Budget & Finance, Allegheny County  
Mr. Walter Szymanski, Director of Budget & Administration, County Council  
Mr. David Minnotte, Board Chairman, Airport Authority Board  
Ms. Jan Rea, Audit Committee Chair, Airport Authority Board  
Mr. Stephen Robinson, Senior Vice-President, Finance, Allegheny County Airport Authority  
Ms. Cathy Simoni, Vice President, AIRMALL Pittsburgh

## *Executive Summary*

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### **Purpose of Procedures**

The purpose of this engagement was to test AIRMALL Pittsburgh'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 AIRMALL Pittsburgh, Inc. (AIRMALL Pittsburgh) 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.

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**

- A total of 13 (37%) out of 35 stores tested had non-compliant items.
- Of the 203 items that could be compared:
  - 175 (86%) items were in compliance,
  - 22 (11%) identical items were priced higher at the airmall,
  - 6 (3%) similar items was priced higher at the airmall.

#### **Finding #2**

- 42 (17%) of 245 items selected for testing could not be found at the comparable locations for 24 of the 35 (69%) stores tested.
  - Fifteen stores had one item that could not be compared, and
  - Nine stores had more than one item that could not be compared.

#### **Finding #3**

- Eight stores are repeatedly non-compliant with the Street Pricing Requirements. Each of the stores had non-compliant items in at least two of the last three Price Comparison Surveys that were performed by Customer Service Consultants.

## *Executive Summary*

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### **Recommendations**

We recommend that AIRMALL Pittsburgh:

#### **Finding #1**

- Require the stores found to be non-compliant with street pricing requirements to adjust the price of the 22 items to reflect the current comparable street price.
- Require the stores that appear to be non-compliant to provide information on the 6 items to support the higher price, such as size or quality, or adjust the price to reflect the current comparable location.

#### **Finding #2**

- Work with the Airport Authority and the subtenants.
  - 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.

#### **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**

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The Fourth Amended and Restated Master Lease, Development and Concession Agreement (Master Lease Agreement), between AIRMALL Pittsburgh, Inc. (AIRMALL Pittsburgh) 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.

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 AIRMALL Pittsburgh.

AIRMALL Pittsburgh utilizes a local firm, Customer Service Consultants (CSC), 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**

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Our procedures tested AIRMALL Pittsburgh'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 AIRMALL Pittsburgh to monitor and enforce subtenant compliance with the street pricing requirements and examined supporting documentation maintained by AIRMALL Pittsburgh.
- Compared the prices for a sample of items from 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 December 6, 2016 through December 9, 2016.
- Reviewed the 2015 Customer Service Consultant price comparison survey and performed testing to determine if AIRMALL Pittsburgh properly followed-up on the deficiencies found in the report.

We provided a draft copy of this report for comment to the Chief Operating Officer, AIRMALL USA. The response begins on page 15.



### III. Findings and Recommendations

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#### *Finding #1*

#### **13 out of 35 Stores Sampled Are Non-Compliant With Street Pricing Requirements**

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The Fourth Amended and Restated Master Lease, Development and Concession Agreement between the Airport Authority and AIRMALL Pittsburgh 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 AIRMALL Pittsburgh. Therefore, monitoring of the street pricing requirement is the responsibility of the Airport Authority.

We selected a sample of 7 items each from 35 stores, including Sunoco, for a total of 245 items. Of these 245 items:

- 42 (17%) items could not be found at the agreed upon comparable locations (See Finding #2).
- Of the 203 items that could be tested:
  - 175 (86%) items were in compliance with the street pricing requirements,
  - 22 (11%) items were priced higher at the airmall than the identical item at a comparable location,
  - 6 (3%) items were priced higher at the airmall than a similar item at a comparable location.

The 28 non-compliant items are detailed in the charts on the following pages. Based on discussion with AIRMALL personnel, it appears that the prices for two items were different from the time we performed our testing to the time when the AIRMALL personnel rechecked the prices. The earrings at Erwin Pearl were displayed on an earring stand, and the price of \$120 was displayed on the stand with the earrings. AIRMALL personnel found the earrings to be \$115. The price on the sticker of the hat at Paradies Gifts in Concourse B was listed as \$25. AIRMALL personnel found the price was marked down to \$14.99. The charts below include the pricing at the time our testing was performed.

### III. Findings and Recommendations

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#### Non-Compliant Identical Items:

Store	Item	Airmail Price	Street Price	Difference
Bottega Del Saporì	Smart Water 33.8 fl oz	\$2.39	\$1.89	\$0.50
Chick-fil-A	Chick-fil-A sandwich meal	\$7.71	\$6.65	\$1.06
	Grilled chicken sandwich	\$5.27	\$4.99	\$0.28
	Nuggets 8 count meal	\$7.71	\$6.65	\$1.06
	Chocolate chunk cookie	\$1.38	\$1.35	\$0.03
	Waffle potato fries - large	\$2.15	\$2.09	\$0.06
	Iced Tea - large	\$2.46	\$1.99	\$0.47
City of Bridges	Draft Yuengling Beer 16 oz.	\$4.90	\$3.50	\$1.40
Erwin Pearl	Clear stone earrings - 6 stud half hoop drop earrings with 1 stud at top	\$120.00	\$115.00	\$5.00
Harley Davidson	HD black sweatshirt, orange logo on left side, crew neck	\$74.99	\$65.00	\$9.99
Hudson News	Cheese its Grab n Bag 7 oz	\$3.99	\$3.19	\$0.80
	Chapstick classic cherry 1 piece	\$3.49	\$2.09	\$1.40
	Sweet Tarts theater 5 oz	\$1.79	\$1.59	\$0.20
In Motion Entertainment	Go Pro 3 way grip arm tripod	\$79.99	\$69.99	\$10.00
	Apple Ear Pods	\$39.99	\$29.99	\$10.00
Martini Center Concourse	Corona Extra bottle	\$5.75	\$5.50	\$0.25
McDonald's	Egg McMuffin	\$3.29	\$3.19	\$0.10
Paradies Gifts Concourse B	Silver glitter penguins lanyard	\$14.99	\$12.99	\$2.00
	9Twenty pink "P" hat, soft buckle	\$25.00	\$22.99	\$2.01
Paradies Gifts Concourse D	'Nike T' grey tank with black Steelers name & logo, gold trim on arms/neck	\$40.00	\$34.00	\$6.00
	Penguin logo Bag tag. Silver sparkle/glitter	\$12.99	\$10.00	\$2.99
Paradies News Concourse A	Powerade - red 20fl oz	\$2.29	\$0.99	\$1.30

### III. Findings and Recommendations

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#### Non-Compliant Similar Items:

Store	Item	Airmall Price	Street Price	Difference
Paradies Gifts Concourse D	Penguin logo shot glass, black bottom w/ NHL logo	\$7.99	\$6.99	\$1.00
Martini Center Concourse	Moscow Mule	\$13.00	\$11.00	\$2.00
	Grapefruit Tini	\$13.00	\$10.00	\$3.00
	Side Car	\$13.00	\$12.00	\$1.00
Paradies News Concourse A	Lifesaver Gummies - Wildberry 7oz	\$3.99	\$2.99	\$1.00
PGA Tour	Under Armor Heat Gear no show men's socks – 3 pack	\$14.99	\$13.99	\$1.00

#### RECOMMENDATIONS

We recommend that AIRMALL Pittsburgh:

- Require the stores found to be non-compliant with street pricing requirements to adjust the price of the 22 items to reflect the current comparable street price.
- Require the stores that appear to be non-compliant to provide information on the 6 items to support the higher price, such as size or quality, or adjust the price to reflect the current comparable location.

### III. Findings and Recommendations

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#### *Finding #2*

#### **Products from 24 out of 35 Stores Sampled Could Not be Found at a Comparable Location**

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The Fourth Amended and Restated Master Lease, Development and Concession Agreement between the Airport Authority and AIRMALL Pittsburgh 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 selected a sample of 7 items each from 35 stores, including the Sunoco gas station, for a total of 245 items. Of these 245 items sampled:

- 42 (17%) items from 24 (69%) stores could not be found at the agreed upon comparable locations.
  - Fifteen stores had one item that could not be compared, and
  - Nine stores had more than one item that could not be compared.

The 24 stores with products that could not be found at a comparable location are listed on the next page.

### III. Findings and Recommendations

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	Store	Number of Items Without Comparables	Reason
1	Auntie Anne's	1 out of 7 (14%)	Comparable location did not offer the same food sampled at the AIRMALL.
2	Bar Symon	2 out of 7 (29%)	Comparable location did not offer the same foods samples at the AIRMALL.
3	Beauty Gallery	3 out of 7 (43%)	Comparable location did not carry the same items sampled at the AIRMALL.
4	Bottega Del Saporì	6 out of 7 (86%)	Comparable location did not carry the same type of items or the same brands sampled at the AIRMALL.
5	Chai's Pittsburgh Fusion	3 out of 7 (43%)	Comparable location did not offer the same portion size of the food sampled at the AIRMALL.
6	Chick-fil-A	1 out of 7 (14%)	Comparable location did not offer the same food sampled at the AIRMALL.
7	Currito Burrito	2 out of 7 (29%)	Comparable location did not serve quesadillas.
8	Erwin Pearl	3 out of 7 (43%)	Comparable location did not carry the same items sampled at the AIRMALL.
9	Harley Davidson	1 out of 7 (14%)	Comparable location did not carry the same item sampled at the AIRMALL.
10	Hudson News	1 out of 7 (14%)	The comparable location did not carry the same item sampled at the AIRMALL.
11	InMotion Entertainment	1 out of 7 (14%)	Comparable location did not carry the same item sampled at the AIRMALL.
12	Martini	1 out of 7 (14%)	The comparable location did not offer the same food sampled at the AIRMALL.
13	Massage Bar	1 out of 7 (14%)	Comparable location did not offer the same service sampled at the AIRMALL.
14	Nine West	1 out of 7 (14%)	Comparable location no longer carried the item sampled at the AIRMALL.
15	Pandora	1 out of 7 (14%)	Comparable location no longer carried the item sampled at the AIRMALL.
16	Paradies Gifts	1 out of 7 (14%)	Comparable location did not carry the same item sampled at the AIRMALL.
17	Paradies News	1 out of 7 (14%)	Comparable location did not carry the same item sampled at the AIRMALL.
18	PGA Tour	1 out of 7 (14%)	Comparable location did not carry the same item sampled at the AIRMALL.
19	Quaker Steak & Lube	1 out of 7 (14%)	Comparable location did not offer the same food sampled at the AIRMALL.
20	Sportzburger	1 out of 7 (14%)	Comparable location did not carry the same item sampled at the AIRMALL.

### III. Findings and Recommendations

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	Store	Number of Items Without Comparables	Reason
21	Starbucks	2 out of 7 (29%)	Comparable location did not offer the same foods sampled at the AIRMALL.
22	Villa Italian Kitchen	1 out of 7 (14%)	Comparable location did not offer the same food sampled at the AIRMALL.
23	Zoom Systems	2 out of 7 (29%)	Comparable location did not carry the same items sampled at the AIRMALL.
24	Vino Volo	4 out of 7 (57%)	Comparable location did not offer the same food or wine sampled at the AIRMALL.

Because the Street Pricing requirement in the Agreement allows for a price differential for non-identical items, it is difficult to determine the stores' compliance when identical items cannot be located at the agreed upon comparable location.

#### RECOMMENDATIONS

We recommend that AIRMALL Pittsburgh:

- 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

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#### *Finding #3*

### **8 Stores are Repeatedly Non-Compliant With Street Pricing Requirements**

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Customer Service Consultants (CSC) 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, CSC will perform an interim PCS the following spring. 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.

We identified all of the current stores with non-compliant items in the December 2015 CSC Survey, then reviewed the December 2013 and 2014 and the Spring 2014, 2015, and 2016 surveys to determine if any of the stores also had non-compliant items in 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. Of the six surveys reviewed, if the store was non-compliant in the December 2015 survey and any other survey, they are noted below.

Airmall Store	Year	December Survey		Spring Survey		Controller's Report	
		# Items Non-Compliant/ # Items Tested	%	# Items Non-Compliant/ # Items Tested	%	# Items Non-Compliant/ # Items Tested	%
Bottega Del Saporì	15/16	2 of 16	13%	0 of 13	0%	1 of 1	100%
Bottega Del Saporì	13/14	Not in AIRMALL		2 of 20	10%	0 of 1	0%
Harley Davidson	15/16	7 of 20	35%	1 of 20	5%	1 of 6	17%
Harley Davidson	14/15	8 of 18	44%	9 of 20	45%	0 of 5	0%
Harley Davidson	13/14	7 of 20	35%	4 of 19	21%	1 of 4	25%
Hudson Gifts	15/16	4 of 8	50%	2 of 7	29%	Not Tested	
Hudson Gifts	14/15	3 of 8	38%	2 of 11	18%	3 of 5	60%
Hudson Gifts	13/14	2 of 14	14%	2 of 8	25%	1 of 1	100%
Hudson News	15/16	16 of 30	53%	10 of 32	31%	3 of 6	50%
Hudson News	14/15	10 of 30	33%	2 of 27	7%	1 of 5	20%
Hudson News	13/14	28 of 30	93%	11 of 29	38%	4 of 5	80%
Paradies Gifts	15/16	5 of 17	29%	3 of 14	21%	5 of 13	38%
Paradies Gifts	14/15	1 of 20	5%	3 of 15	20%	1 of 5	20%
Paradies Gifts	13/14	0 of 22	0%	Not Tested		2 of 2	100%

### III. Findings and Recommendations

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Airmall Store	Year	December Survey		Spring Survey		Controller's Report	
		# Items Non-Compliant/ # Items Tested	%	# Items Non-Compliant/ # Items Tested	%	# Items Non-Compliant/ # Items Tested	%

Paradies News	15/16	2 of 30	7%	2 of 29	7%	2 of 6	33%
Paradies News	14/15	7 of 27	26%	0 of 28	0%	3 of 5	60%
Paradies News	13/14	6 of 30	20%	2 of 30	7%	1 of 5	20%

Quaker Steak & Lube	15/16	1 of 21	5%	1 of 21	5%	0 of 6	0%
Quaker Steak & Lube	14/15	6 of 20	30%	12 of 20	60%	1 of 5	20%

Villa Italian Kitchen	15/16	2 of 18	11%	0 of 18	0%	0 of 6	0%
Villa Italian Kitchen	14/15	Not in AIRMALL		15 of 16	94%	2 of 5	40%

#### RECOMMENDATIONS

We recommend that AIRMALL Pittsburgh:

- 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 11, 2017

Ms. Chelsa Wagner  
Allegheny County Controller  
436 Grant Street  
Courthouse, Room 104  
Pittsburgh, PA 15219

SUBJECT: STREET PRICING COMPLIANCE REPORT  
77 STORES AT AIRMALL PITTSBURGH  
35 STORES SAMPLED, 28 ITEMS FOUND NON-COMPLIANT

Dear Ms. Wagner:

On behalf of AIRMALL® Pittsburgh, developer and manager of the AIRMALL at Pittsburgh International Airport, I wish to extend my thanks to the Allegheny County Controller's Office for conducting a review of the street pricing policy at the AIRMALL ("Pittsburgh International Airport Report on Street Pricing Compliance Procedures").

At AIRMALL Pittsburgh, street pricing forms the bedrock of our business model. We see it as a covenant between the Airport Authority, AIRMALL Pittsburgh and the traveling passenger. We invented the concept of street pricing for concessions on the airport concourse when we established the AIRMALL at Pittsburgh International Airport in 1992 and began requiring all concessionaires to sell their merchandise at "Regular Mall Prices...Guaranteed." Our innovation has enabled Pittsburgh International Airport to secure its position at the forefront of the airport concessions industry.

While "Regular Mall Prices...Guaranteed" is included in many of our collateral materials, it is more than a marketing slogan. It represents a value proposition to the traveling passenger, because they realize that they will pay no more for goods and services at the airport than they would at a comparable location. Simply stated, we believe wholeheartedly in street pricing for airport concessions, and we have created a comprehensive system of checks and balances to ensure that the passenger is being charged a fair price when they shop or dine at the Airport.

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With this in mind, we would like to respond to the recommendations on Page 4 in the report and offer further context:

- **Require the stores found to be non-compliant with street pricing requirements to adjust the price of the 22 items to reflect the current comparable street price. Require the stores that appear to be non-compliant to provide information on the 6 items to support the higher price, such as size or quality, or adjust the price to reflect the current comparable location:** Out of 77 stores at the AIRMALL, there were 35 stores that were sampled and 28 items that were found to be non-compliant. AIRMALL is pleased to inform you that the AIRMALL currently complies with the street pricing policy. Of the 28 items found to be non-compliant, the items have been changed to the current street price or have been transferred out of the locations. On the similar items, supporting documentation has been received from subtenant to support the correct price on the product.
- **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:** AIRMALL Pittsburgh understands the frustration of the Controller's Office in not being able to test every item that is selected, but the uniqueness of the stores within the AIRMALL is one factor that makes the program award winning, and therefore, many items may not be able to be tested. With that in mind, AIRMALL supports whenever possible comparing like for like, brand to brand to get a true and accurate comparison. The Controller's Office should consider checking larger samples to get a better sampling of the product as was suggested by the Controller's Office to AIRMALL in 2010. It was recommended to AIRMALL that at least 25 to 30 items would obtain a better sampling. With that said, AIRMALL will still continue to work with the Airport Authority to see if there are better comparable locations that may be available.

- **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.** AIRMALL continues to go beyond what is contractually required to ensure that the street pricing policy is understood and adhered to by all Subtenants.

In summary, AIRMALL Pittsburgh is firmly committed to "Regular Mall Prices...Guaranteed" at the AIRMALL at Pittsburgh International Airport. We have perfected our approach in our two decades of managing and developing concessions for airports. Our subtenants understand our commitment to the model, and they know they will be held accountable. Moreover, we have formed a productive relationship with the Allegheny County Airport Authority as their concessions developer over the past 24 years.

Thank you again for your role in helping us achieve our goal of having our subtenants offer high-quality products at prices that are competitive and fair. Through your efforts, we can address the issues found in your report, making the program even more successful.

Sincerely,



Cathy A. Simoni  
Vice President